NEWALTA

THE BUSINESS OF
REDISCOVERING RESOURCES
IS OUR UNIQUE PURPOSE

2010 Sustainability

Contents

THERE IS VALUE IN EVERYTHING

Over the years, we have steadily improved all areas of our business, including safety performance, people development, organizational effectiveness, environmental stewardship, innovation, community involvement, customer service and industry leadership.

Al Cadotte,
President and Chief Executive Officer

PRESIDENT'S MESSAGE

Newalta is now almost 100 times larger than it was 17 years ago. Our operations across Canada provide industry with the most advanced services and processes to enable them to achieve their financial and environmental objectives.

We have developed and commercialized new processes which are both environmentally superior and are more cost effective compared to traditional practices. Reducing the environmental impact of industrial waste is not part of our business – it is our total focus.

Annually Newalta recovers approximately $400 million of products from industrial wastes, or about $200,000 per year for every Newalta employee. The scale and diversity of the resources that we recover differentiate Newalta in Canada, as well as internationally.

"We will strive for excellence not only in what we do, but also how we do it."

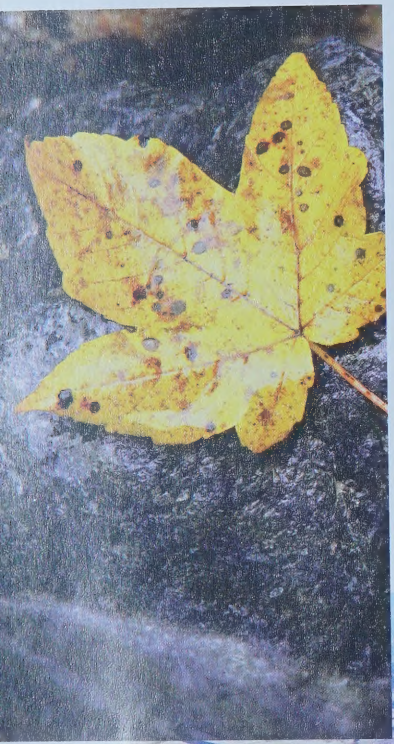
Over the years, we have steadily improved all areas of our business, including safety performance, people development, organizational effectiveness, environmental stewardship, innovation, community involvement, customer service and industry leadership. Our core values have been the compass for our business plans and decisions, and they have been the foundation of our success. We have emerged from the downturn in 2009 determined to move forward with our strategic plans.

Our strong organization and unique operating capabilities position us for steady growth for many years ahead. We will strive for excellence not only in what we do, but also how we do it. We will continue our tradition of steady incremental improvements as we adopt and create best practices and commercialize new processes.

This report summarizes some of our past accomplishments and highlights our initiatives and targets for 2010. For our people, our customers, our neighbours and our investors, I hope that the articles and stories provide an insight into our values and our priorities.

Alan P. Cadotte
President and Chief Executive Officer

OUR BUSINESS



Newalta works with industrial customers across Canada developing new services and processes that improve their environmental performance. Our primary focus is on the recovery and reuse of resources and products from what are, today, wastes. We operate facilities from coast to coast and we operate on our customers' sites where the products we recover can be reused directly and transportation eliminated. We will search worldwide to continue to provide our customers with the most advanced solutions available.

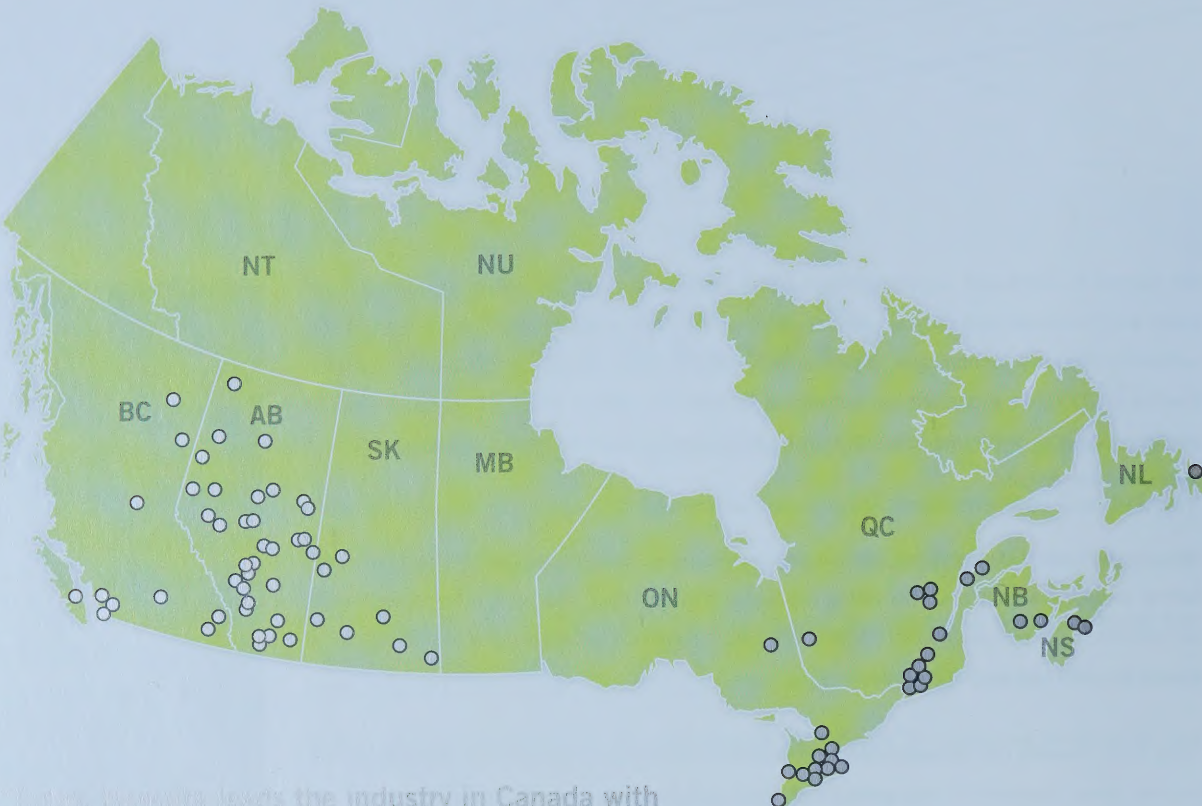
We started in 1993 with a modest business of six facilities and $8 million in revenue. Our vision was to recover and recycle products from waste. From 1993 to 2006, we developed and commercialized new technologies, expanded services and added facilities across Western Canada. Starting in 2006, we expanded our network of facilities throughout Eastern Canada. We added new services and continued to adapt new technologies to meet the needs of our growing and diverse customer base.

We have leveraged our facilities, people and processes to deliver services on customer sites, further reducing wastes and recovering products. This approach has proven cost-effective for our customers, as well as good for the environment. We are now expanding our onsite services to industrial customers across Canada.

Since 1993, Newalta has delivered steady, profitable growth. Revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) have both increased an average of 25 percent per year. In 2008, we delivered our strongest results to-date with about $600 million in revenue and $125 million in EBITDA.

We managed through very challenging business conditions in 2009, controlling costs, improving efficiency and strengthening our balance sheet. Revenue decreased to about $480 million and EBITDA to about $80 million. Capital expenditures were reduced to $27 million. Policies, procedures and processes were revised across the company to increase effectiveness. At the same time, we

In the early days, Newalta used the tagline "Better Ways to Manage Waste" to reflect the company's focus on innovative solutions. In 2008, our marketing phrase "What if Waste Wasn't?" reflected the changing dynamics of our service, and the shift in our business from managing wastes to resource recovery with the goal of eliminating waste where practical. Recently, we have added "Rediscovering Resources" to describe our business.



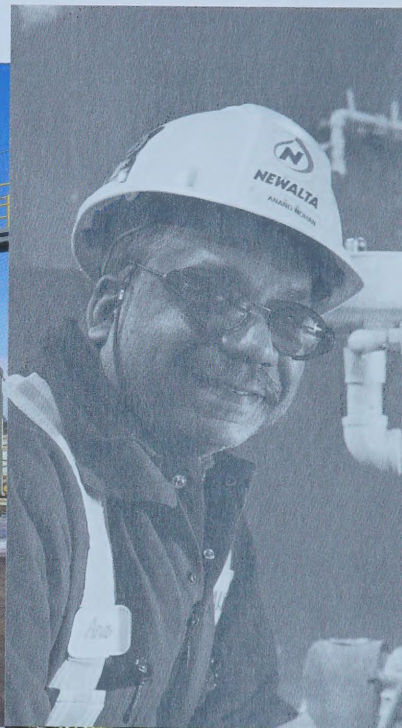
"Today, Newalta leads the industry in Canada with 2,000 talented people and operations from coast to coast."

maintained our ability to respond to improving conditions, retained our competitive advantages and advanced key areas for future growth. The organization is much more agile today than a year ago, and our cost base has been substantially reduced.

Today, Newalta leads the industry in Canada with 2,000 talented people and operations from coast to coast. We have a strong management team, with executives and senior managers averaging 20 years of industry experience and more than 10 years with the company. Newalta has a diverse customer base, including oil and gas, refining, manufacturing, iron and steel, petrochemicals, mining and transportation.

At the start of 2010, we reorganized the company into two new operating divisions: Facilities and Onsite.

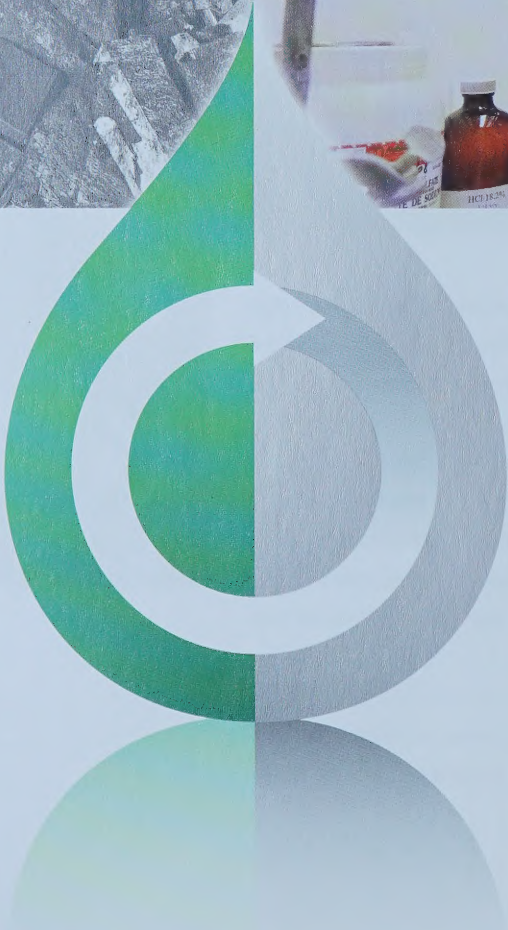
Brantford, Ontario



Newalta has 85 facilities across Canada, 10 of which are specialized resource recovery facilities. The remainder provide a broad range of environmental services adapted to the local market. These facilities have high-quality assets and permits that define the capabilities and requirements of the operation.

Over the past three years we have extended our operations to treat wastes on our customers' sites. This approach decreases transportation costs and related environmental impacts; it also reduces, and in some cases eliminates, waste, and returns the recovered resources directly to the customer. We believe that this approach is the future of our industry and we are leading the way in transforming how business is done.

Onsite services generally begin with short-term projects to prove the environmental benefits and cost savings, as well as to demonstrate our safety performance. These projects lead to three to five year contracts on a fee-for-service basis.



We recover approximately $400 million of products annually.

In 2009, we recovered:

- **1.5 million barrels** of crude oil
- **63 thousand tonnes** of lead
- **21 million litres** of base oil and lubricants

Ville Ste-Catherine, Québec

In March 2010, Standard & Poor's (S&P) and the Toronto Stock Exchange (TSX) announced the formation of the S&P/TSX Clean Technology Index. Newalta was named to this new index, which measures the performance of companies whose core business is the development and deployment of green technologies.

Even though we are in the early stages of developing this market, our onsite services already represent about a third of Newalta's total revenue.

Newalta is the only company successfully processing slop oil – a waste from SAGD (Steam Assisted Gravity Drainage) heavy oil production – and returning pipeline-quality crude oil to the producer. We have made excellent progress in demonstrating the environmental and cost advantages of this service over the past three years. To date we have applied our service to only about 25 percent of the total current SAGD market.

We recover approximately $400 million of valuable products from industrial wastes annually. In 2009, this included about 1.5 million barrels of crude oil; 63 thousand tonnes of lead; and 21 million litres of base oil and lubricants.

Stauffer, Alberta

We have many opportunities to expand services at our existing facilities. Our Heavy Oil onsite services are expected to grow dramatically as SAGD producers are forecast to triple production in the next eight years. Our onsite services to industrial customers across Canada are also expected to increase dramatically in the years ahead.

We will partner with our customers to search for innovative technologies around the world. We will execute a number of technical and business development agreements, like the recent partnership with BioteQ Environmental Technologies, to pursue product recovery, recycling and water treatment projects and to develop new processes.

In 2010, we will capitalize on the economic recovery in our markets and we expect to deliver improvements in revenue and EBITDA compared to 2009. Our capital investments are budgeted at $87 million, which is triple 2009. Growth investments will be about equal in the Facilities and Onsite divisions.

Our target for 2010 is to recover 10 percent more crude oil, lead and base oil and refined lubricants compared to last year. In addition to these volume increases, we also anticipate higher prices for all of our recovered resources in 2010.

There are 150 engineers and chemists at Newalta who are working with customers every day to implement new solutions. In 2010, we will supplement this group with our technical development team to search world-wide for the best technologies for our customers.

OUR PEOPLE

Our people take ownership, are responsible and are engaged in an organization where everyone is treated with dignity and respect. Employees are given opportunities to gain experience and training to develop their skills, and achievements are recognized.

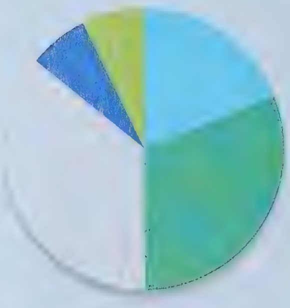
Our organization grew ten-fold from 1993 to 2003 rising from 50 to 550. We almost doubled again by 2005 to 950, and then doubled again to 2,000 in 2008. Recruiting talented individuals and retaining and developing experienced people have been critical to our success. Our business is very unique and, in most cases, recruiting individuals with direct experience is not possible. Developing people to assume larger roles within the company has been, and will continue to be, a key priority.

Newalta provides a competitive package of pay, benefits, financial incentives, vacation and long-term savings. Newalta's compensation is benchmarked annually against other top-tier Canadian companies. Enhancements are made to maintain a competitive package at all levels in the organization and across all of our geographic markets.

Annual reviews provide individuals with feedback on performance and opportunities for development. Plans are then developed to provide the training and experience to realize the individual's goals.


NEWALTA

Newalta Experience



< 1 Year	19%
1 - 2 Years	31%
3 - 5 Years	36%
6 - 9 Years	7%
10+ Years	7%

People are challenged to be the best that they can be and to work as a team to deliver exceptional results in all areas of the business.

Newalta offers a variety of training programs, including specialized workshops and seminars. Over the past five years, Newalta has invested an average of $500,000 per year on management and professional training. Other programs address specific business needs across the organization to develop skills such as accounting and operations. Over the past four years the total direct costs for training have averaged about $1.5 million. This excludes employees' time, travel and accommodation.

In addition to formal training, individuals are given opportunities to take on projects to develop their technical skills and leadership capabilities. The best way to learn is to do, and we encourage people to try new experiences which may be in a different department or geographic area.

Newalta also supports the continued education of employees' children through a post-secondary scholarship program. This program has been available for two years and, to date, 27 scholarships have been awarded at $2,500 each. The awards are based on demonstrated leadership, academic achievement and local community involvement.

Diversity

Aboriginal	2%
Women	23%
Persons with Disabilities	2%
Visible Minorities	5%
Other	68%

Newalta is certified by the Canadian Government's Federal Contractors Program in recognition of its commitment to workplace diversity.

In 2008, we united our Calgary head office staff from four locations into one facility that has been recognized for its design and balance of wellness and workplace amenities. Many of its features, including specially designed workstations, a cafeteria and a fitness facility, are the direct result of design recommendations from employee committees. A child daycare is scheduled to open in 2010.

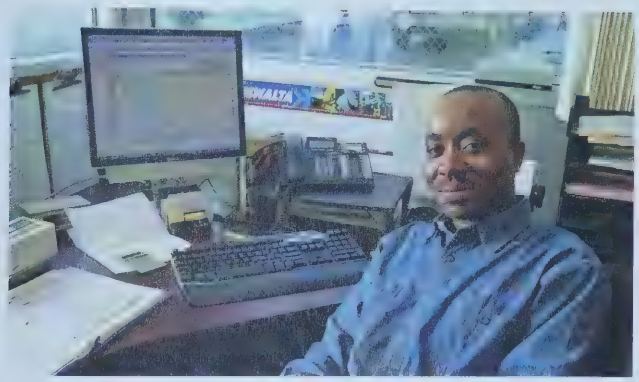
In 2008, a committee of senior women was established to review Newalta's policies and programs, and to identify the best practices of other Canadian companies. While this committee is focused on the advancement of women, it is part of a broader strategic initiative on workplace diversity. Committee members surveyed women throughout Newalta and visited with senior leaders in other companies to identify best practices and areas for improvement. Four sub-committees have been formed to take action on:

- Coaching and mentoring
- Education and professional development
- Best practices review and barrier identification
- Recruiting and retention

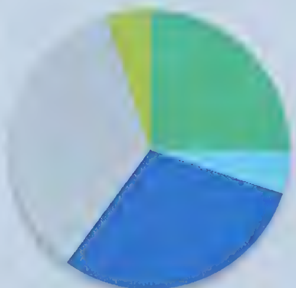
The continued investment in people with a focus on engagement, retention and strategic career development will be fundamental to Newalta's future success. We expect to add 1,000 people to the organization over the next three years and we will focus on attracting and developing the best talent available through aggressive and focused recruitment and individual development.

Our comprehensive onboarding programs will provide orientation for 300 to 500 new employees in 2010.

An employee engagement survey will be completed in 2010 to explore employee satisfaction, communication, competitive compensation and benefits, as well as career development opportunities. We will use this information to set specific targets for 2011.



2010 Training Breakdown
($thousands)



Operations	500
Information Technology	100
Environment, Health & Safety	600
Management/Leadership	700
Education Assistance	100

A leadership conference for women will be held in 2010 to discuss coaching, mentoring and other initiatives underway across the company.

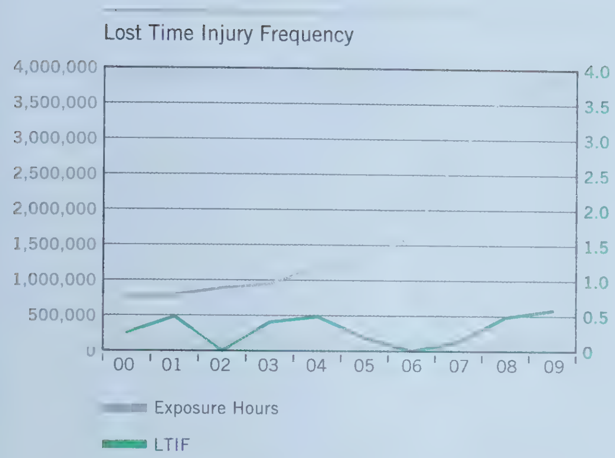
The total direct training costs for 2010 are expected to be approximately $2 million, or $1,000 per person on average. In addition to core operational training, leadership and management development will be expanded in 2010 including a wide range of talent-development courses with an emphasis on professional and leadership development. We will also begin our "Set for Success" program, a leadership development initiative for front-line management.

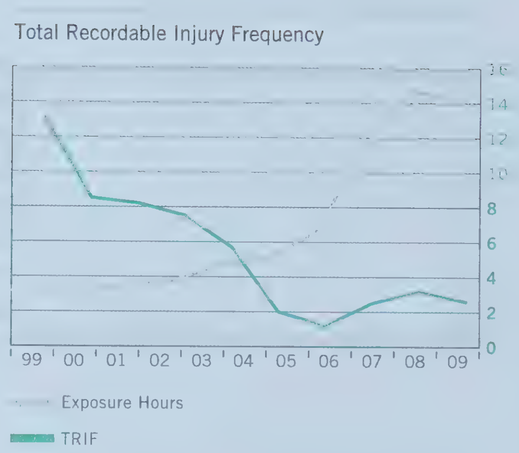
In addition we will launch our "Foundation of Leadership" program at the Richard Ivey School of Business at the University of Western Ontario. This is a one-week program for senior managers to hone their leadership skills. In 2010, 60 key people will participate in this exciting new initiative to develop our future leaders.

OUR SAFETY

Safety is, and will remain, our first priority. Safety excellence is achieved by talented people working as a team with quality equipment, training and procedures. We strive to eliminate all injuries and environmental incidents by constantly challenging ourselves to be better.

Safety has been a key priority for Newalta since 1993 and it is a fundamental component of our strategic planning and business decisions. Our program has been modeled after our large national and international customers.





We began with a basic compliance and systems-based approach, which progressed over the years to a behaviour-based program where everyone is engaged and has ownership of our safety performance.

The dynamic growth of the business, the geographic breadth of our facilities and the expansion of services and processes all add challenges to safety performance. In addition, the nature of the work that we do and the weather conditions in which we operate create additional challenges, particularly in such services as emergency response.

There are no short-cuts to safety excellence. It requires the commitment of everyone to improve equipment, processes and procedures to eliminate potential risks and to avoid incidents of all types, including near-misses. Success is achieved by small, incremental gains over a long period of time, as a safety culture is embedded and procedures are refined.

Over the years, we have enhanced our program and achieved steadily improved results. In addition to lost-time injury frequency and total recordable injury frequency, we measure Loss Control Activity Reporting (LCAR), which measures a facility's performance in identifying hazards, evaluating risks, implementing controls and specific continuous improvement initiatives.

SDS Consulting has provided independent third-party audits of Newalta's operations for more than a decade.

"In terms of identification, mitigation and management of environment, health and safety risks, Newalta is an industry leader, constantly pushing the envelope to deliver continuous improvement. Over the past 12 years, Newalta has continually demonstrated an ability to advance and adapt new ideas and concepts to address environment and safety management on the worksite. There are very few companies that can demonstrate an ability to rapidly expand and, at the same time, maintain and excel at risk control and management."

~Chris Praestegaard, SDS Consulting
Senior H&S Consultant

We conduct annual internal audits of our operations, as well as independent third-party audits, to assess the performance of our program and to identify areas for improvement. Over the past five years, Newalta has consistently scored over 90 percent nationally in a "Partnerships in Health and Safety Certificate of Recognition" program.

Six years ago, we introduced a "President's Award" program to recognize the top performing operations in the company. These awards are based on zero lost-time injuries, superior total recordable injury frequency rate, a minimum LCAR score of 90 percent, implementation of new safety initiatives and the completion of specific environmental targets and objectives. The competition to win these awards has elevated our entire program and contributed directly to Newalta's improved performance.

Our customers, regulators and neighbours appreciate the attention to detail and disciplined management required to deliver superior safety performance. Our record has been pivotal in entering new communities and markets, including our recent expansion into onsite work.

2009 Awa

Newalta's P

culture of safety,

President's Awards are presented to large facilities or services with 15 or more full-time people. The following Newalta teams were recognized:

- Gordondale, Albe
- Delta, British Colum
- Bedford, Nova
- Elk Point, Albert
- Heavy Oil (Onsite

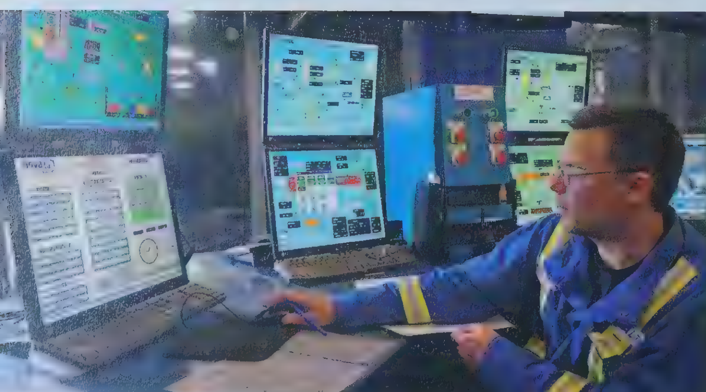
Vice President's Awards are given to operations with less than 15 full-time people. The winners were:

In 2009, Newalta facilities had an average LCAR score of 85 percent. We improved our total recordable injury frequency rate from 3.2 in 2008 to 2.6 in 2009. We also reduced total environmental incidents by more than 40 percent in 2009.

In 2009, 78 of our facilities were lost-time injury-free; 53 had no recordable injuries of any kind. Five of our six original facilities from 1993 continue to be injury-free, and 50 people were recently honored for no lost-time incidents since 1994 – demonstrating that an injury-free workplace is indeed a realistic, achievable goal.

Managers and supervisors are trained in loss control management, workplace inspections, workplace task observation, incident reporting and safety leadership, including coaching and motivating people. A comprehensive training program for operations staff is focused on ensuring both new and experienced people are fully competent to perform their duties. Our core safety training program features more than 60 courses.

Mock emergency evacuations are conducted at each facility annually to improve preparedness for all staff and to refine protocols.



SAGD onsite facility, Fort McMurray, Alberta

Our Environment, Health & Safety (EH&S) team includes 25 full-time professionals across Canada who support operations and coach management and employees to give them the tools they need to be personally accountable for workplace safety.

Through individual responsibility, looking out for co-workers and attention to detail, all injuries – including minor ones – can be eliminated. Individual ownership, active participation and accountability will continue to drive performance improvements.

In 2010, we will work to deliver significant improvements in all areas of EH&S. Our target is to reduce our total recordable injury frequency rate from 2.6 to 2.2. We are also committed to improving our average LCAR score from 85 percent last year to 90 percent in 2010. Our target is to reduce total environmental incidents by a further 10 percent in 2010.

Our facilities and onsite locations will develop site-specific improvement initiatives for 2010 targeting safety conditions, behaviours and environmental awareness.

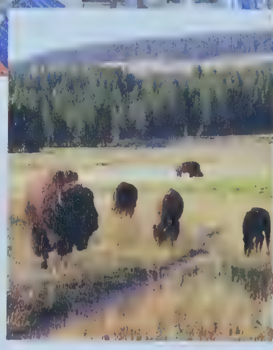
We look forward to reporting on our progress in all of these areas next year.

OUR ENVIRONMENT

Contributing to a cleaner environment is what the 2,000 people at Newalta do every day for our customers, as well as in our own operations.

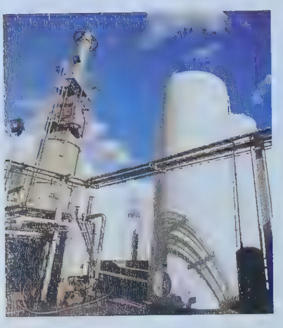
In addition to helping our customers reduce their environmental impact, we are also committed to minimizing our own environmental footprint. We will strive to be one of the most progressive companies in environmental stewardship through innovation and responsible management.

Newalta's total gross carbon dioxide (CO_2) equivalent emissions in 2009 were approximately 90,000 tonnes. The total average gross emissions from the 85 facilities is only about 1,000 tonnes per facility per year. For comparison, the Government of Canada's greenhouse gas emitting reporting program requires any single facility of more than 50,000 tonnes per year of CO_2 be subject to the reporting regulations. Even though our gross CO_2 emissions are relatively small, we are determined to achieve significant reductions in the years ahead.



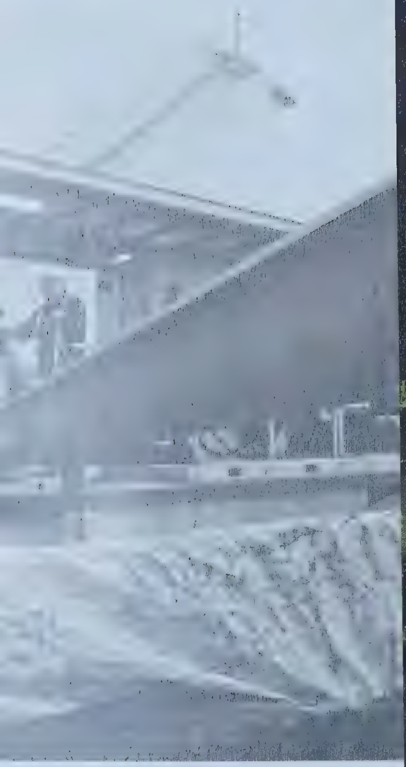
Recovering products from waste often takes less energy than that required to produce virgin products. For example, it takes less energy to recover crude oil from waste than it does to produce the crude oil from the resource. The reduced energy use is measured in reduced CO_2 equivalent emissions. Since 2000, Newalta has measured the reduction in CO_2 attributable to the recovery of crude oil at our facilities. In 2009, the reduction, or offset, was 55,000 tonnes of CO_2. The net emissions of 35,000 tonnes does not include reductions arising from the recovery of crude oil at customers' sites, the recycling of lubricating oils and the recovery of other products across the Newalta network. Newalta's net CO_2 equivalent emissions are obviously very modest if not negative. Recovery of resources not only reduces landfilling of wastes, and therefore long-term liability, but also results in reduced CO_2 emissions.

In 2009, Newalta conducted a company-wide inventory of all services and operations to compile energy, water and other environmental information. This information is essential to establishing performance baselines and targets for improvement.



ZERO WASTE STRATEGY PURSUED AT NORTH VANCOUVER

The North Vancouver facility has initiated a number of waste-reduction and energy-saving programs. Their recycling program now includes segregated collection of warehouse plastics and cardboard; all office waste paper, plastic, glass and metal cans; wood waste; and batteries. The facility's used-oil-collection truck fleet was converted to use blended B5 biodiesel fuel to reduce emissions, and photo-sensors and timers were installed in the office and warehouse to reduce electricity use.



North Vancouver, B.C.

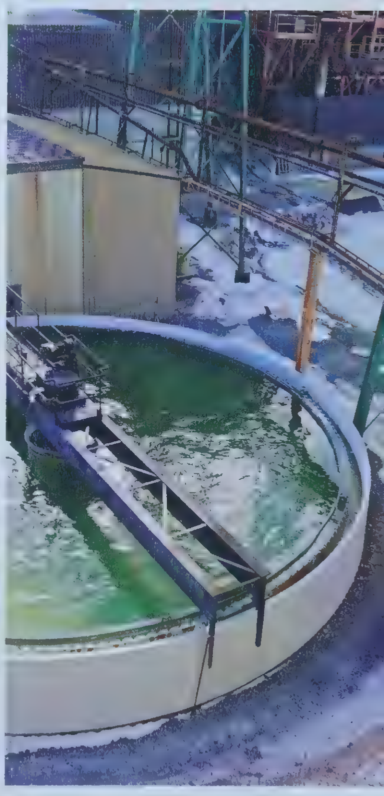
There have been several initiatives across the company to reduce fuel use, water consumption, power consumption, paper waste, etc. In 2010, improving our environmental performance will be a major new company-wide initiative at Newalta. We will challenge every branch and office to identify and implement new approaches and to develop new ideas which contribute to improved environmental performance. We will create a communications forum to foster the exchange of ideas across the company and engage everyone in this effort.

Next year we will have much more to report on our success in reducing our environmental impact.

Also, in 2010, we will complete the baseline review of our energy and water usage and other environmental impacts. We will be prepared to set specific targets in these areas for 2011.

We will complete an assessment of our gross and net CO_2 emissions data. We expect to achieve significant improvements in 2010 and we will set challenging targets for both in 2011.

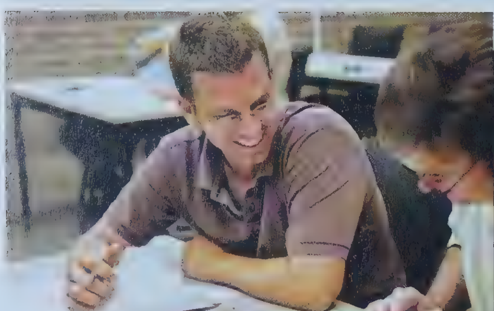
In addition, we will strengthen the requirement for an environmental cost/benefit analysis on all capital approvals to ensure that we are providing a full review of alternatives which may have superior environmental performance.



OUR COMMUNITY

We reach out to the communities in which we operate to explain our business and our plans, and to understand our neighbours' concerns and objectives. We are engaged professionally, personally and financially in the well-being of the communities where we live and work.

We have expanded from working with neighbours in the small rural communities in Western Canada to community involvement programs that stretch from coast to coast. We are now interacting with a much larger and more diverse group of stakeholders. Our decision-making processes are transparent, open and honest, and inclusive. We are committed to building and maintaining constructive relationships with our neighbours, non-governmental organizations, elected officials and regulatory representatives.



We are proactive in meeting with our neighbours through public participation, presentations to community committees and home visits. We also welcome visits to our facilities to demonstrate our operating capabilities and the quality of our equipment and procedures. We consult with our neighbours on the handling of hazardous materials and are available to respond to emergencies in our communities with experienced staff and equipment.

Newalta has established relationships with elected federal, provincial, territorial and municipal representatives and senior government officials. We have broadened our relationships to include environmental and community planning, Aboriginal affairs, economic development, innovation and science, technology development and industry portfolios.

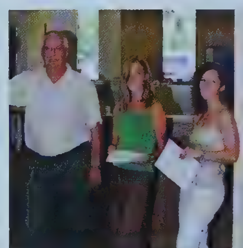
Municipalities are assuming more responsibility in addressing environmental and waste management issues within their boundaries. They are working regionally in concert with other municipalities to address issues of mutual concern, like water management. We are working closely with officials in the cities and towns where we are active, and with organizations and agencies that represent local government such as the Federation of Canadian Municipalities and the Alberta Urban Municipalities Association.

Ronald McDonald House British Columbia

United Way of Calgary and Area

unicef

Calgary Women's Emergency Shelter



Newalta contributes to the development of municipal, provincial and federal policies through participation in a variety of government forums. Examples include input to the development of British Columbia's hazardous waste regulations, the restructuring of Alberta's "Oilfield Waste Liability Program" and the District of North Vancouver's Community of Maplewood's "Eco-industrial Plan."

Our interaction with Aboriginal communities is a result of certain of our facilities sharing common boundaries with them, our growing appreciation for how our activities affect Traditional Land Use Areas, and the potential for our Aboriginal neighbours to be both clients and employees. We provide Aboriginal awareness training to our people and are developing strong working relations with First Nations and Métis communities.

"We live here too" expresses our commitment to the health and well-being of the communities where we operate.

We participate in employee-driven United Way campaigns in Alberta and Ontario. The company matches employee contributions and these two programs raised approximately $130,000 last year. Ronald McDonald Houses in Calgary, Vancouver, Hamilton and Halifax are supported by Newalta. Ronald McDonald House provides a home-away-from-home for families of seriously ill children who are being treated at nearby children's hospitals.

TURNING WASTE INTO FUN FOR KIDS

For several years, Newalta has supported Calgary's Heritage Park Historical Village. Our Airdrie, Alberta, facility, which recycles used oil into diesel fuel, supplies the fuel to run the park's historical trains. By supplying this recycled fuel we help support the park's commitment to environmental stewardship. In return, we receive 200 passes each year, which we distribute to local charities for women and children. This program turns waste lubricating oil into fun for kids and benefits everyone involved.

NEWALTA VOLUNTEERS

Newalta is pleased to support employees who volunteer their time. We have assisted with the travel costs for an employee and his family to construct houses for impoverished families in Mexico. We sponsored an employee who is helping to build an orphanage in Mexico. We provided financial support to one of our people who took a two-year leave from the company to serve as financial manager for an African aid agency.

Newalta provides funds to Women's Emergency Shelters in Calgary and Montréal. We also contribute to several other organizations, such as UNICEF, that do important work locally and globally.

We support local community projects to fund conservation areas, heritage sites and recreational facilities, such as the Hamilton Conservation Authority's Eramosa Karst Conservation Area.

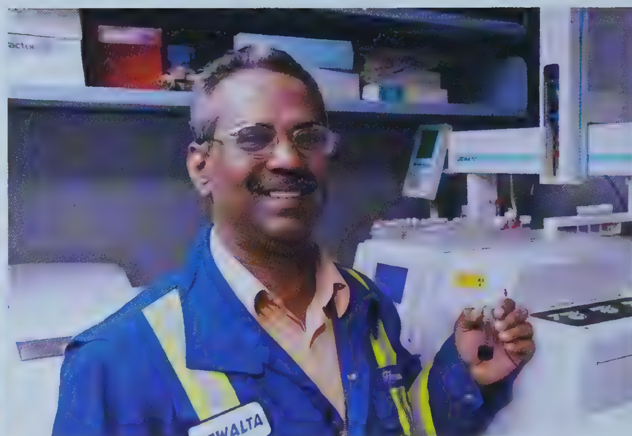
Newalta also supports the growth and development of students, including environmental research at Acadia University's K.C. Irving Environmental Trust, and at the Faculty of Engineering at the University of Western Ontario. Newalta has also made a multi-year capital commitment to Heritage Park Historical Village in Calgary to build a custom-designed eco lab and classroom for students.

Over the past four years our contributions have averaged 1.25 percent of pre-tax profit. For comparison, the national standard for excellence in corporate community investment according to Imagine Canada is 1.0 percent of pre-tax profit.

In 2010, we will continue to work closely with our neighbours openly and honestly to engage them in our planning processes and to understand their concerns. We will target 2010 community contributions at 1.25 percent of pre-tax profit. We will also increase our efforts to work with our Aboriginal neighbours. We will continue to encourage our people to be involved in the communities in which they live and to volunteer their time where they can.

We look forward to reporting on our progress in these areas next year.

OUR INDUSTRY



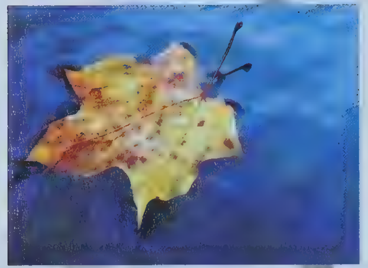
As a national organization with operations from coast to coast, Newalta is an industry leader. We work with our peers individually, and in associations, to share information and best practices, to improve safety performance and to advance policies which better protect the environment.

In 2009, Newalta joined the Chemistry Industry Association of Canada (CIAC), formerly known as the Canadian Chemical Producers' Association. Newalta's core values are consistent with the principles and objectives of the Responsible Care Code of Practice and we look forward to sharing best practices with other members of the Association.

Responsible Care®
Our commitment to sustainability.


NEWALTA


NEWALTA IS INVOLVED WITH THE FOLLOWING ORGANIZATIONS:



ENVIRONMENT ORGANIZATIONS

- Air & Waste Management Association (AWMA)
- British Columbia Environment Industry Association (BCEIA)
- Environmental Services Association of Alberta (ESAA)
- Environmental Services Association of Nova Scotia (ESANS)
- Environmental Technology Council (ETC)
- Le Conseil des Entreprises de Services Environnementaux (CESE)
- National Oil Recyclers Association (NORA)
- Ontario Environment Industry Association (ONEIA)
- Québec Business Council on the Environment/le Conseil patronal de l'environnement du Québec (CPEQ)
- Recycling Council of Alberta (RCA)
- Recycling Council of British Columbia (RCBC)
- Recycling Council of Ontario (RCO)
- Réseau Environnement
- Sarnia-Lambton Environment Association (SLEA)

INDUSTRY ASSOCIATIONS

- Canadian Association of Chemical Distributors (CACD)
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Manufacturers & Exporters Association (CME)
- Chemistry Industry Association of Canada (CIAC)
- Enform (petroleum safety training and certification association for Alberta, British Columbia and Saskatchewan)
- Newfoundland & Labrador Oil & Gas Industries Association (NOIA)
- Offshore-Onshore Technologies Association of Nova Scotia (OTANS)
- Petroleum Services Association of Canada (PSAC)
- Petroleum Technology Association of Canada (PTAC)

In addition, Newalta is active in the Canadian Chamber of Commerce, as well as many regional and local chambers, and participates in various committees and sub-committees of relevance to our industry.

ABOUT THIS REPORT

This is our first report [illegible] past accomplishments, current [illegible] and future targets. We have [illegible] targets for 2010 in many areas of our business, including safety performance. In other areas, [illegible] we will [illegible] data gathering and analysis to allow us to set targets [illegible].

We have much to [illegible]. We will [illegible] progress in all areas of our [illegible] every year [illegible].

We look forward to [illegible] the first year.

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NEWALTA

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newalta.com

GROW

AR2010

GOING BIG

NEWALTA

GOING

ABOUT NEWALTA

Newalta provides cost-effective solutions to industrial customers to improve their environmental performance with a focus on recycling and recovery of products from industrial residues. These services are provided through our network of more than 80 facilities across Canada and at our customers' facilities where we mobilize our equipment and people to process material directly onsite. We have established an industry leading position with talented people, efficient and safe operations, innovative approaches and high ethical standards. Newalta trades on the TSX as NAL and NAL.DB.

BIG

Newalta has always thought big and acted big. Now we're Going Big with a continuous improvement plan to build on our track record of profitable growth and increased diversification.

Going Big means greater expertise and more value created from more waste streams. Going Big means the best is yet to come.

Contents

INVEST

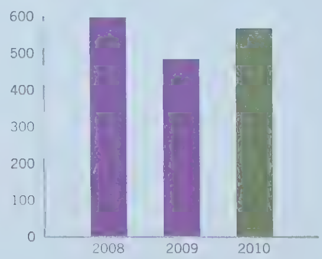
Grande Prairie, Alberta

FINANCIAL RESULTS AND HIGHLIGHTS

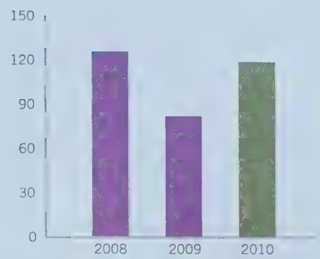
- Revenue increased 19% to $576.2 million, while Adjusted EBITDA[1] climbed 45% to $118.8 million
- Funds from operations[1] increased 56% to $95.1 million
- Strong funds from operations supported a 30% dividend increase and $47 million in growth capital investments[1]
- Total return to shareholders in 2010 was 50%, bringing total returns over the past two years to 100%

(1) These financial measures do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP financial measures are identified and defined throughout Management's Discussion and Analysis.

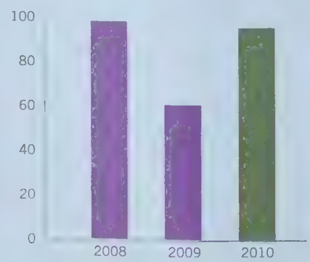
Revenue
($ millions)



Adjusted EBITDA[1]
($ millions)



Funds from operations[1]
($ millions)



MENT

SINCE 1993:

30%
Average annual revenue and Adjusted EBITDA growth

$340 Million
Total paid in dividends or $7 per share

18%
Average annual return on capital[1] with 17 years of profitability

1,000 Customers
Broadened our customer base to over 1,000 accounts in oil and gas, petrochemical, manufacturing, forestry products, pharmaceuticals and more industries

85 Locations
Built or acquired to recycle and recover value from oil, slop oil, lead, wastewater and many other waste streams

150
Engineers and chemists now on staff to add value through innovation and expertise

$1 Billion
Invested in growth initiatives, including 40 acquisitions

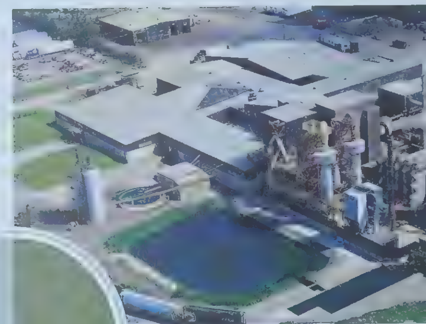
$11 Million
Spent to increase our knowledge base through training for our people

$2 Billion
Value recovered from waste ($400 million annually is our current run rate)

We have designed our operations for safety and environmental leadership and achieved net-negative CO_2 emissions from our processes in 2010

CREATE

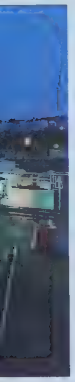
- Western Facilities 47%
- Eastern Facilities 22%
- Ville Ste. Catherine 31%



Above right: Ville Ste. Catherine, Québec
Lead recycling facility

Right: North Vancouver, British Columbia
Used oil re-refinery

VALUE



FACILITIES

Over almost two decades, we built a network of more than 80 facilities and achieved a portfolio of almost 300 permits and licenses to operate, including 90 certificates of approval for facilities and transportation. This network and our operating permits are not only difficult to duplicate, they form a strong competitive advantage. Now that our Canadian infrastructure is built out, we can profitably serve an expanding customer base.

During the economic recession of 2009, Facilities experienced a decline in customer activity levels and a dramatic reduction in prices for our recovered products. In 2010, the early stage economic recovery led to stronger performance, and we expect 2011 will bring continued improvement. As we demonstrated in 2010, Facilities can generate strong incremental margins on increased revenues as capacity utilization improves.

In 2010, Facilities grew again as it:

- Increased revenue 20 percent year-over-year
- Achieved net margin profitability of 45 percent on additional revenue
- Improved net margin by 43 percent to $98.6 million, from $68.7 million in 2009
- Benefitted from $50.9 million in growth investments made in 2008-2009
- Drove improvement from higher activity levels across all three business units

CREATE

Prince George, British Columbia
Onsite project

ONSITE

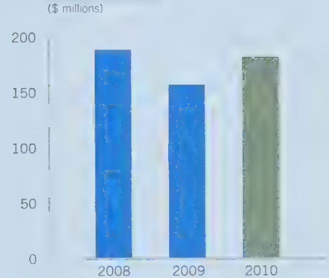
Our Onsite business revolutionizes waste recovery by delivering it directly within customers' operations. Five years ago, Onsite was only a concept. In 2006, it took on its first customer project and, in the ensuing years, has created remarkable growth. In fact, in 2010 it generated $182 million in revenue with best ever net margin by serving the needs of a diverse range of accounts.

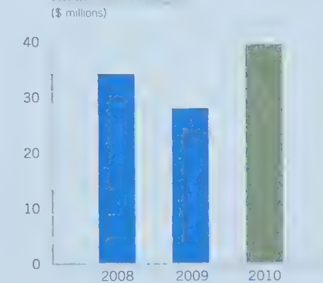
Onsite's service typically begins with three to six month demonstration projects to prove the cost effectiveness and environmental superiority of its approach, and then customer projects are converted into long-term contracts. It's an extended sales cycle reflecting the blue chip, risk adverse nature of customers served, and their requirement for clear proof of safety and capabilities, as well as environmental and cost benefits.

We currently have about a half dozen Onsite projects where we are working under a longer term arrangement, and about a half dozen in the pipeline that, by their nature, have the potential to successfully demonstrate the cost savings and environmental benefits that would justify long-term contracts.

VALUE

While its capabilities take time to prove out, Onsite is gaining momentum with a backlog of opportunities in all markets, and we're only scratching the surface of the potential for these services.





In 2010, Onsite grew again as it:

- Increased revenue 16 percent over 2009
- Improved profitability with a 41 percent year-over-year increase in net margin, surpassing our previous record
- Delivered strong performance as a result of increased demand for drill site services, higher onsite project activity and stronger crude oil prices
- Benefitted from $52.2 million in growth investments made in the 2008-2009 period

PRESIDENT'S MESSAGE TO SHAREHOLDERS

Newalta delivered a 50 percent return to our shareholders in 2010, bringing total returns to 100 percent since we converted to a corporation from an income trust just two years ago. With resurgent customer activity creating renewed demand for our solutions, higher recovered product prices and 2010 growth capital investments in place, we expect strong bottom-line growth which will drive excellent returns for our shareholders in 2011.

Alan P. Cadotte
President and
Chief Executive Officer

Fellow Shareholders:

Newalta had a much better year in 2010 compared to the severe contraction that we experienced in 2009. Compared to last year, revenue increased $93 million, or 19 percent, Adjusted EBITDA climbed $37 million, or 45 percent, and funds from operations increased 56 percent.

Strong funds from operations supported a 30 percent dividend increase and $76 million in capital investments.

Both divisions contributed by adding new customers, better serving existing customers as demand grew, and continuing to improve productivity and profitability.

Facilities Division revenue and net margin increased 20 and 43 percent, respectively, as we took advantage of the early-stage economic recovery. Onsite Division delivered strong performance, with revenue and net margin up 16 and 41 percent.

Cost savings initiatives and productivity improvements made in 2009, and held in 2010, also contributed to strong bottom-line performance. From mid 2008 until the end of 2009, we invested roughly $87 million in growth capital, which contributed to EBITDA growth in 2010.

Return on capital improved to 13 percent from nine percent in 2009. Even though this is a significant improvement, we expect 2011 return on capital to move closer to our historical average of 18 percent.

We also significantly improved our financial flexibility. We issued $125 million in unsecured seven year debentures and amended our credit facility, extending the maturity to 2013. The Total Secured and Unsecured Debt to Adjusted EBITDA ratio continues to improve and was 2.65 at year end.

Of the many initiatives underway to grow our business, one of the most exciting is the work of our Technical Development team. Its mandate is to search the world for new methods to increase the scope of wastes that we process and the products that we recover.

This team has identified and is evaluating more than 500 technologies. In 2011, we expect to do pilot scale testing on those with the best potential to cost-effectively solve our customers'

environmental challenges. Few companies of our size have the capabilities, expertise and capacity to stage this type of development effort. We believe it will lead to impressive gains for Newalta as we continue to transform our industry in the years ahead.

We also delivered excellent performance in safety. Our Sustainability Report contains details on all aspects of our safety record, yet this point stands above all others: total reportable injury frequency was reduced to 2.2 from 2.6 in 2009.

We recover so much value across so many waste streams that we achieved net-negative CO_2 emissions from our key processes in 2010 - a remarkable accomplishment given the size and scope of our operations.

We are proud of 2010 accomplishments and our 17-year track record of profitable growth. Newalta is now about 60 times larger than we were in 1993 based on revenue, cash flow and assets.

We're also much stronger as a result of recruitment and training investments to drive the constant advancement of our business. The initiatives taken to strengthen our organization last year, including recruiting new talent and training programs, will enable us to be a stronger and better organization than ever before and fully prepared for the challenges ahead.

In just five years, we've transformed our company from 900 people in western Canada with 80 percent of our revenue coming from the oil and gas industry, to a national business with 2,000 people and more than half our revenue generated outside the energy industry. At the same time, our revenue has more than doubled. This growth illustrates that our proven methods of waste recovery are gaining traction with our national and multinational customers. We are also more diversified, adding stability to our performance.

Newalta is a forward-looking growth company and will prove it again based on the very positive outlook for our business in 2011.

Our markets are stronger and the prices of our recovered products are higher than in 2010. The $62 million in growth capital investments committed in 2010 will make a significant contribution to 2011 performance. We have a healthy balance sheet and good financial flexibility.

In 2011, we will invest $100 million to drive growth in 2012. Maintenance capital expenditures will be approximately $27 million. Growth capital expenditures of $73 million will be directed towards a broad range of low-risk, high return, exciting investment opportunities.

In 2011, we will focus on revitalizing our organization to improve our agility and cohesion and to strengthen our customer relationships to prepare us for strong growth in the years ahead.

I am very proud of our organization for all the work that they do and their commitment to excellence in all aspects of our business. I thank our Board of Directors for sharing their knowledge and business judgement.

Most especially, I thank our customers and shareholders for the confidence they have shown.

Ron Sifton retired in 2010 after 27 years with Newalta. Ron's contributions in acquisitions, finance, IT, investor communications and investment banking were fundamental to the company we are today.

In 2010, we delivered a 50 percent return to shareholders. We remain well positioned to deliver very attractive returns in 2011 as we continue to build on our performance record.

Yours sincerely,

Alan P. Cadotte
President and Chief Executive Officer

OFFICERS

Alan P. Cadotte
President and
Chief Executive Officer

Peter A. Dugandzic
Executive Vice President

J. Craig Wilkie
Executive Vice President

Michael A. Borys
Senior Vice President and
Chief Financial Officer

Terry P. Donaleshen
Senior Vice President,
Organization Development

Doug Pecharsky
Senior Vice President,
Onsite Operations

Took Whiteley
Senior Vice President,
Business Development and
General Counsel

Jim McClimans
Vice President,
Finance

Harry Wells
Vice President,
Technical Development

MD+A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months and year ended December 31, 2010 and 2009

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to Newalta Corporation and the subsidiaries of Newalta Corporation, or their management, are intended to identify forward-looking statements. In particular, forward-looking statements included or incorporated by reference in this document include statements with respect to:

- future operating and financial results;
- anticipated industry activity levels;
- expected demand for our services;
- business prospects and strategy;
- capital expenditure programs and other expenditures;
- the amount of dividends declared or payable in the future;
- realization of anticipated benefits of acquisitions, growth capital investments and our technical development initiatives;
- our projected cost structure; and
- expectations and implications of changes in legislation.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation:

- general market conditions of the industries we service;
- strength of the oil and gas industry, including drilling activity;
- fluctuations in commodity prices for oil and lead;
- fluctuations in interest rates and exchange rates;
- supply of waste lead acid batteries as feedstock to support direct lead sales;
- demand for our finished lead products by the battery manufacturing industry;
- our ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- dependence on our senior management team and other operations management personnel with waste industry experience;
- the seasonal nature of our operations;
- success of our growth, acquisition and technical development strategies including integration of businesses and processes into our operations and potential liabilities from acquisitions;
- the highly regulated nature of the waste management and environmental services business in which we operate;
- costs associated with operating our landfills and reliance on third party waste volumes;
- the competitive environment of our industry in Canada and the U.S.;
- risk of pending and future legal proceedings;
- our ability to attract and retain skilled employees and maintain positive labour union relationships;
- fluctuations in the costs and availability of fuel for our operations,
- open access for new industry entrants and the general unprotected nature of technology used in the waste industry;
- obtaining insurance for various potential risks and hazards on reasonable financial terms;

- possible volatility of the price of, and the market for, our common shares;
- the nature of, and market for, our debentures; and
- such other risks or factors described from time to time in reports we file with securities regulatory authorities.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Many other factors could also cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and readers are cautioned that the foregoing list of factors is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and the forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, we do not intend, or assume any obligation, to update these forward looking statements.

Reconciliation Of Non

This Management's Discussion and Analysis ("MD&A") contains references to certain financial measures, including some that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other corporations or entities. These financial measures are identified and defined below:

We have a healthy

"Combined divisional net margin" and "net margin" are used by management to analyze divisional operating performance. Combined divisional net margin and net margin as presented are not intended to represent earnings before taxes, nor should it be viewed as an alternative to net earnings or other measures of financial performance calculated in accordance with GAAP. Combined divisional net margin is calculated from the segmented information contained in the notes to the consolidated financial statements and is defined as revenue less operating and amortization and accretion expenses for both of our operating segments. Combined divisional net margin excludes inter-segment eliminations and unallocated revenue and expenses. Net margin for each of our segments is calculated from the segmented information contained in the notes to the consolidated financial statements and is defined as earnings before taxes with financing, selling, general and administrative ("SG&A") and research and development expenses added back.

	Three months ended December 31,		Year ended December 31,	
($000s)	**2010**	2009	**2010**	2009
Earnings before taxes	**5,327**	3,451	**27,622**	2,732
Add back:				
Selling, general and administrative[(1)]	**23,972**	16,603	**70,891**	56,132
Research and Development[(1)]	**586**	-	**1,713**	-
Finance charges[(1)]	**6,608**	6,689	**25,663**	25,364
Consolidated net margin	**36,493**	26,743	**125,889**	84,228
Unallocated net margin	**2,690**	2,754	**12,139**	12,490
Combined divisional net margin	**39,183**	29,497	**138,028**	96,718

(1) Management does not allocate interest income, SG&A, research and development, taxes, finance charges and corporate amortization and accretion expense in the segmented analysis (see Note 22 to the audited consolidated financial statements).

"EBITDA", "EBITDA per share", "Adjusted EBITDA", and "Adjusted EBITDA per share" are measures of our operating profitability. EBITDA provides an indication of the results generated by our principal business activities prior to how these activities are financed, assets are amortized or how the results are taxed in various jurisdictions. In addition, Adjusted EBITDA provides an indication of the results generated by our principal business activities prior to recognizing stock-based compensation. Stock-based compensation, a component of employee remuneration, can vary significantly with changes in the price of our common shares. As such, Adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time. EBITDA and Adjusted EBITDA are derived from the consolidated statements of operations, comprehensive income and retained earnings. EBITDA per share and Adjusted EBITDA per share are derived by dividing EBITDA and Adjusted EBITDA by the basic weighted average number of shares.

They are calculated as follows:

	Three months ended December 31,		Year ended December 31,	
($000s)	**2010**	2009	**2010**	2009
Net earnings	**2,862**	4,092	**18,063**	3,099
Add back (deduct):				
Current income taxes	**520**	317	**938**	945
Future income taxes	**1,945**	(958)	**8,621**	(1,312)
Finance charges	**6,608**	6,689	**25,663**	25,364
Amortization and accretion	**14,891**	14,558	**55,990**	51,825
EBITDA	**26,826**	24,698	**109,275**	79,921
Add back:				
Stock-based compensation	**6,821**	808	**9,517**	2,236
Adjusted EBITDA	**33,647**	25,506	**118,792**	82,157
Weighted average number of shares	**48,523**	46,770	**48,485**	43,536
EBITDA per share	**0.55**	0.53	**2.25**	1.84
Adjusted EBITDA per share	**0.69**	0.55	**2.45**	1.89

"Adjusted net earnings" and "Adjusted net earnings per share" are measures of our profitability. Adjusted net earnings provides an indication of the results generated by our principal business activities prior to recognizing stock based compensation. Stock based compensation, a component of employee remuneration, can vary significantly with changes in the price of our common shares. As such, Adjusted net earnings provides improved continuity with respect to the comparison of our results over a period of time. Adjusted net earnings per share is derived by dividing Adjusted net earnings by the basic weighted average number of shares.

($000s)	Three months ended December 31, 2010	2009	Year ended December 31, 2010	2009
Net earnings	**2,862**	4,092	**18,063**	3,099
Add back (deduct):				
Stock-based compensation	**6,821**	808	**9,517**	2,236
Adjusted net earnings	**9,683**	4,900	**27,580**	5,335
Adjusted net earnings per share	**0.20**	0.10	**0.57**	0.12

"Funds from operations" is used to assist management and investors in analyzing cash flow and leverage. Funds from operations as presented is not intended to represent operating funds from operations or operating profits for the period, nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Funds from operations is derived from the consolidated statements of cash flows and is calculated as follows:

($000s)	Three months ended December 31, 2010	2009	Year ended December 31, 2010	2009
Cash from operations	**48,007**	19,165	**95,348**	83,518
Add back (deduct):				
Changes in non-cash working capital	**(21,760)**	(298)	**(2,383)**	(23,599)
Asset retirement costs incurred	**1,126**	318	**2,184**	1,024
Funds from operations	**27,373**	19,185	**95,149**	60,943
Weighted average number of shares	**48,523**	46,770	**48,485**	43,536
Funds from operations per share	**0.56**	0.41	**1.96**	1.40

"Return on capital" is used to assist management and investors in measuring the returns realized from the capital employed.

($000s)	Year ended December 31, 2010	2009	2008
Adjusted EBITDA	**118,792**	82,157	125,890
Total Assets	**1,028,724**	993,730	1,051,910
Current Liabilities	**(121,370)**	(92,614)	(117,258)
Capital Employed	**907,354**	901,116	934,652
2-Year Net Assets Average	**904,235**	917,884	921,331
Return on Capital (%)	**13.1**	9.0	13.7

References to Combined divisional net margin, net margin, EBITDA, EBITDA per share, Adjusted EBITDA, Adjusted EBITDA per share, Funds from operations and Return on Capital throughout this document have the meanings set out above.

On December 31, 2009, the sole unitholder of Newalta Income Fund (the "Fund") approved the wind-up of the Fund. Subsequent to year end, on January 1, 2010, Newalta Inc. was amalgamated with its wholly-owned operating subsidiary, Newalta Corporation, to form Newalta Corporation.

The following discussion and analysis should be read in conjunction with (i) the consolidated financial statements of Newalta, and the notes thereto for the year ended December 31, 2010, (ii) the consolidated financial statements of Newalta and notes thereto and MD&A of Newalta for the year ended December 31, 2009, (iii) the most recently filed Annual Information Form of Newalta and (iv) the consolidated interim financial statements of Newalta and the notes thereto, and MD&A for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010. This information is available at SEDAR (www.sedar.com). Information for the year ended December 31, 2010, along with comparative information for 2009, is provided.

This MD&A is dated March 3, 2011, and takes into consideration information available up to that date. Throughout this document, unless otherwise stated, all currency is stated in Canadian dollars, MT is defined as "tonnes" or "metric tons".

its and Highlights

($000s except per share data)	**2010**	2009	2008
Revenue	**576,196**	483,401	597,035
Net earnings	**18,063**	3,099	58,882
- per share ($) – basic	**0.37**	0.07	1.40
- per share ($) – basic adjusted	**0.57**	0.12	1.46
- per share ($) – diluted	**0.37**	0.07	1.40
EBITDA	**109,275**	79,921	125,753
- per share ($)	**2.25**	1.84	3.00
Adjusted EBITDA	**118,792**	82,157	125,890
- per share ($)	**2.45**	1.89	3.00
Cash from operations	**95,348**	83,518	128,922
- per share ($)	**1.97**	1.92	3.07
Funds from operations	**95,149**	60,943	98,306
- per share ($)	**1.96**	1.40	2.34
Total Assets	**1,028,724**	993,730	1,051,910
Maintenance capital expenditures	**28,668**	8,589	20,762
Growth capital expenditures	**47,077**	18,696	104,440
Senior long-term debt – net of issue costs	**51,689**	188,123	263,251
Senior Unsecured debentures – principal amount	**125,000**	-	-
Convertible debentures – principal amount	**115,000**	115,000	115,000
Dividends/Distributions declared	**11,152**	8,141	93,180
- per share ($)	**0.23**	0.20	2.22

(1) These financial measures do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP"), and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP financial measures are identified and defined throughout the attached MD&A.

NEWALTA

We provide cost-effective environmentally superior solutions to our customers' complex environmental needs. We leverage our existing talent and asset base to provide cost-effective solutions which reduce environmental impacts through recycling, recovery and reuse. These services are provided both through our network of more than 80 facilities across Canada and at our customers' facilities where we mobilize our equipment and people to process material directly onsite. Our customers operate in a broad range of industries including the oil and gas, petrochemical, refining, lead, manufacturing and mining industries. Newalta has delivered strong, profitable growth for over 15 years and has established a leadership position in the industry with talented people, efficient and safe operations, innovative approaches and high ethical standards.

Our Strategy

In connection with the ongoing development of our strategy, the following are our principal strategic objectives, as well as the key underlying risks related thereto.

Strategic objectives	Initiatives
1. Maximize Facilities Profitability	• Drive higher returns on existing assets • Execute organic growth capital projects • Expand Facilities service offering
2. Recovery at Source	• Increase market share in short-term projects nationally • Identify short-term projects with long-term potential • Transition to long-term contract service arrangements
3. Process Commercialization	• Evaluate technologies for commercial application • Advance identified technologies to the development and demonstration phase • Utilize facility network to expedite commercialization

Several initiatives were successfully completed in 2010 to establish the foundation for continued growth. In addition to enhancing our capital structure to ensure sufficient financial flexibility to meet future growth needs, we:

- Responded to recovering markets driving improved returns on existing assets of 13% up from 9% in 2009;
- Completed a $47 million growth capital program;
- Created the organizational framework for Onsite's national service;
- Executed onsite projects in eastern Canada, while also building our customer base in western Canada;
- Expanded Heavy Oil onsite service at existing short-term and long-term contracts; and
- Established the Technical Development team.

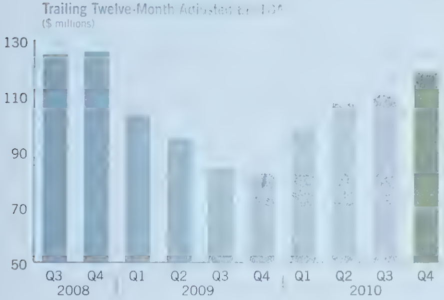
Risks	Mitigation
Market recovery is slower than anticipated Lower market activity can translate into reduced waste volumes and weaker commodity prices, impacting returns on existing assets and our ability to invest in organic growth capital.	• Improve productivity • Develop new technologies that make our processes more effective and cost efficient • Maintain debt leverage to provide adequate financial flexibility • Utilize, as needed, proven defensive toolkit to manage costs and capital expenditures
Deterioration of safety record Failure to meet customer safety standards while working on customer sites could result in the inability to operate on a customer site and could have pervasive implications for our Onsite strategy.	• Safety is established as one of our core values • Long standing history of safety excellence • Our Environmental, Health and Safety ("EH&S") team works with operators, customers and regulators to ensure that we foster a culture of safety and prevention • Designs for facilities and onsite equipment are subject to strict hazards and operability studies and engineering practices
Competition Competition can come from waste producers processing streams internally or new third party waste processors entering the market.	• Our onsite solutions are targeted to minimize waste at the source as an alternative to waste generators internally managing waste • Onsite operations require an excellent safety record and a facility network for mobilization, employee training and a backstop for process guarantees, which we have already established • Barriers to entry include facilities network infrastructure and regulatory permits that are difficult to replicate
Failure to commercialize identified technologies into our processes	• Staged approach to developing technologies ensures resources can be redeployed efficiently to other initiatives • Other initiatives include expansion of services and business development • Contribution to performance from commercialization is not expected for two years

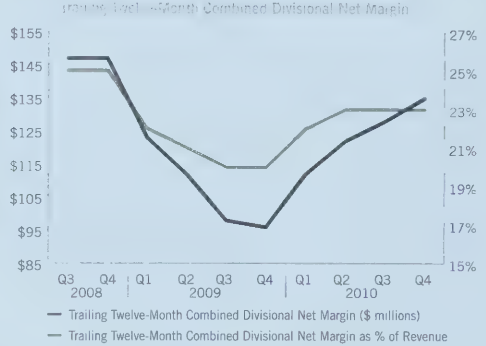
Corporate Overview

Consistent with the rest of 2010, we continued to deliver year-over-year improvements in performance in Q4 2010, in line with improved market conditions and the strengthening value of our products. Q4 2010 results improved over last year with revenue up 19% to $162.9 million and Adjusted EBITDA up 32% to $33.6 million. Net earnings declined to $2.9 million compared to $4.1 million in Q4 2009. Improved operational profitability was offset by higher stock-based compensation and future income tax expenses.

In Facilities, Q4 2010 revenue and net margin increased by 21% and 31%, respectively, compared to 2009. This was primarily due to improved contributions from our Western Facilities. For the quarter, 34% of incremental revenue over last year flowed to net margin. Growth in Western Facilities was driven by increased drilling activity in western Canada. Performance was mixed across the other business units, reflecting regional variation in market recovery.

Onsite delivered strong results for the quarter due to higher drilling activity and steady improvements in Heavy Oil. Revenue and net margin increased by 12% and 37%, respectively. Net margin as a percentage of revenue was 22% up from 18% in Q4 2009. Of the incremental revenue, 56% flowed through to net margin.

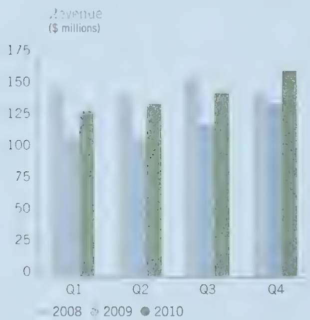


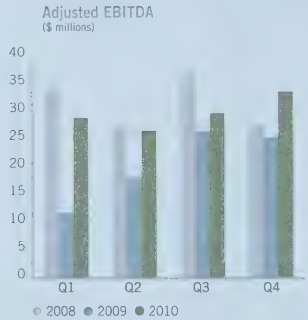


For the year, combined divisional net margin and combined divisional net margin as a percentage of revenue continued to improve. Adjusted EBITDA increased by $36.6 million, or 45%, to $118.8 million. Improved market conditions, stronger prices for our products, productivity improvements and cost reductions implemented in 2009 have all contributed to improved performance. As a result, our Total Secured and Unsecured Debt to Adjusted EBITDA ratio improved to 2.65, from 4.04 in Q4 2009. The ongoing improvement in financial leverage continues to create greater financial flexibility for future growth.

Capital expenditures for 2010 totaled $75.7 million. Growth capital spending of $47.1 million related primarily to drill site equipment in Western Onsite, processing equipment for Heavy Oil project work and facility expansion in Western Facilities. Maintenance capital expenditures of $28.7 million related primarily to the construction of landfill cells and routine process equipment improvement at facilities. Capital expenditures were funded by Funds from operations. At December 31, 2010, total committed capital was $95 million. The incremental capital committed over our expected $87 million, as disclosed in Q3 2010, relates to 2011 projects being moved forward to take advantage of improving market conditions. We anticipate the majority of the incremental committed capital to be spent in Q1 2011.

On November 23, 2010, we issued $125 million Senior Unsecured Debentures with a seven-year term, bearing interest at the rate of 7.625% per annum. Proceeds from the offering were used to repay outstanding debt on our credit facility. In connection with this offering, effective December 17, 2010, we amended our credit facility to a three-year maturity ending December 17, 2013, with annual extensions available at Newalta's option. As a result of the successful senior unsecured debenture offering and current cash forecast needs, we elected to reduce the amount available under the credit facility from $350 million to $200 million. These initiatives will strengthen our balance sheet, achieve better alignment with our long-term assets and provide increased financial flexibility to meet the demands of future growth.





During the first half of 2010, we launched our Technical Development team. We enter 2011 with a group of 15 professionals comprised of engineers, chemists and business analysts leading our technical development initiatives with an operating budget of $3 million and $5 million of budgeted capital expenditures. Capital expenditures are anticipated to include the purchase of equipment and licenses to use technologies. In 2011, we will move into the next phase of testing and assessing the most promising opportunities while continuing the global search for technologies that started in 2010. We anticipate our investments in technical development will start contributing to our performance in approximately two years.

Outlook

In Q1 2011, we expect improved results compared to both the prior year and Q4 2010. Crude oil and lead prices for Q1 are trending higher than Q4 2010 and our key markets continue to strengthen. Oil and gas drilling activity is expected to continue to strengthen with the average Q1 2011 rig count in western Canada forecast to be up over Q4 2010 levels. We anticipate volumes at VSC will be approximately 17,000 MT. SCL volumes are anticipated to be approximately 150,000 MT. In Onsite, we expect continued gains from the increased demand for drill site equipment in the U.S. Overall, we expect continued year-over year growth in the quarters ahead as our markets strengthen and we realize returns from our 2010 growth investments.

Capital expenditures in 2011 are budgeted at $100 million. Growth capital expenditures of $73 million are comprised of $26 million for Facilities, $35 million for Onsite, $5 million for Technical Development and $7 million for corporate investments. Maintenance capital expenditures are expected to be $27 million. Capital expenditures will be funded by Funds from operations, with approximately 40% expected to be spent in the first half of 2011.

We enter 2011 with more robust markets which will drive improved performance. We expect return on capital to continue to climb toward our historical average of 18%. We are confident that we will deliver attractive returns to our shareholders in the quarters ahead.

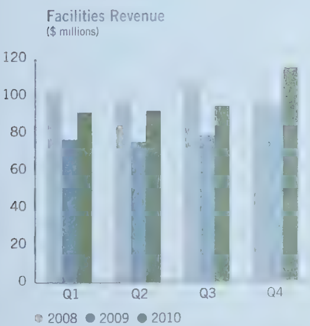
Results Of Operations – Facilities

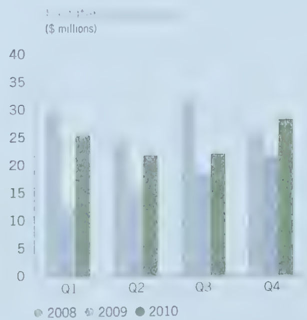
Overview

Facilities includes an integrated network of more than 55 facilities located to service key market areas across Canada employing over 900 people. This division features Canada's largest lead-acid battery recycling facility, located in Ville Ste Catherine, Québec ("VSC"), an engineered non hazardous solid waste landfill located in Stoney Creek, Ontario ("SCL"), and over 25 oilfield facilities throughout western Canada. Facilities is organized into the Western Facilities, Eastern Facilities and VSC business units.

The business units contributed the following to division revenue:

	Three months ended December 31,		Year ended December 31,	
	2010	2009	**2010**	2009
Western Facilities	**45%**	39%	**47%**	46%
Eastern Facilities	**21%**	23%	**22%**	23%
VSC	**34%**	38%	**31%**	31%





The following table compares Facilities' results for the periods indicated:

	Three months ended December 31,			Year ended December 31,		
($000s)	**2010**	2009	% change	**2010**	2009	% change
Revenue[(1)]	**115,193**	94,932	21	**394,539**	327,484	20
Operating costs	**77,843**	65,039	20	**265,153**	230,845	15
Amortization and accretion	**8,827**	8,161	8	**30,813**	27,919	10
Net margin	**28,523**	21,732	31	**98,573**	68,720	43
Net margin as % of revenue	**25%**	23%	9	**25%**	21%	19
Maintenance capital	**6,882**	2,479	178	**21,791**	6,240	249
Growth capital	**7,237**	1,676	332	**11,700**	7,860	49
Assets employed[(2)]				**569,950**	561,315	2

(1) Includes $104,000 and $589,000 in internal revenue in Q4 2010 and 2010 year to-date, respectively, and $295,000 and $1,203,000 in Q4 2009 and 2009 year-to-date, respectively.

(2) "Assets employed" is provided to assist management and investors in determining the effectiveness of the use of the assets at a divisional level. Assets employed is the sum of capital assets, intangible assets and goodwill allocated to each division.

Throughout 2010, performance for the trailing twelve months from the Facilities division improved steadily.

Compared to Q4 2009, revenue and net margin grew by 21% and 31%, respectively, due primarily to contributions from our Western Facilities. Performance was consistent with improved oil and gas industry activity and stronger prices for our recovered products. For the quarter, 34% of incremental revenue over last year flowed to net margin. Increased drilling activity in western Canada significantly improved volume receipts for Western Facilities. Performance was mixed across the other business units. Compared to Q4 2009, volumes at SCL increased due to higher event-based business while performance at VSC was impacted by higher lead procurement costs. However, VSC performance improved compared to Q3 2010 in line with strengthening market conditions.

Revenue and net margin for the year increased by 20% and 43%, respectively. Activity levels were up across all business units, highlighted by stronger drilling activity, higher event-based business at SCL and increased volumes at VSC. The impact of commodity prices for 2010 compared to 2009 was insignificant on annual Facilities performance.

Western Facilities

Western Facilities are located in British Columbia, Alberta and Saskatchewan and generate revenue from:

- the processing of industrial and oilfield-generated wastes, including collection, treatment, water disposal, clean oil terminalling, custom treating and landfilling;
- sale of recovered crude oil for our account; and
- oil recycling, including the collection and processing of waste lube oils and the sale of finished products.

Western Facilities draws its revenue primarily from industrial waste generators and the oil and gas industry. Waste generated by the oil and gas industry is affected by volatility in the price of crude oil and natural gas and drilling activity. Drilling activity will impact the volume of waste received and the makeup of that waste. Changes in the waste mix will impact the amount of crude oil recovered to our account. Historically, for oilfield facilities, approximately 75% of our waste volume relates to ongoing production resulting in a fairly stable revenue base. Volatility in the price of crude oil impacts crude oil revenue. Fluctuations in the Canadian/U.S. dollar exchange rate impact U.S. dollar sales, which account for approximately 15% of Western Facilities revenue. Changes in environmental regulations in western Canada also impact our business. There is no new legislation proposed that is expected to have a material impact on our business and, regardless, we tend to have a positive bias to change in environmental regulations.

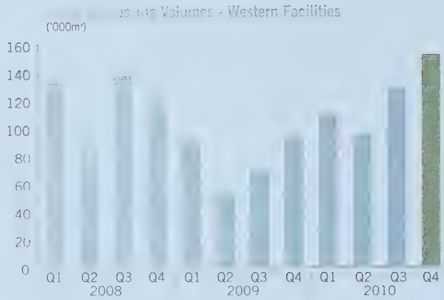
Western Facilities Q4 2010 revenue increased by 42% compared to Q4 2009 largely due to increased drilling activity. Wells and metres drilled increased by 59% and 45%, respectively, compared to Q4 2009. As a result, waste processing and recovered crude oil volumes increased by 65% and 45%, respectively. Crude oil recovered as a percentage of the waste processing volumes decreased due to a change in the waste mix. Substantially all of the increase in revenue was attributable to higher oil and gas activity.

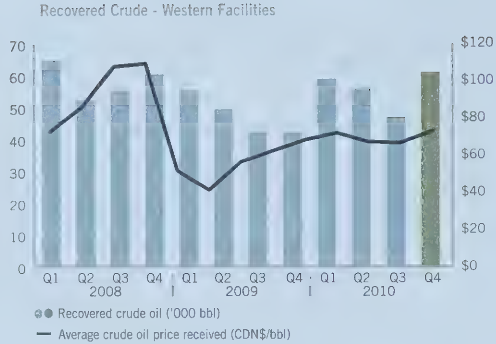
Revenue for the year increased by 24% compared to 2009 due to higher drilling activity combined with higher crude oil prices and crude oil recovery volumes.

	Three months ended December 31,			Year ended December 31,		
	2010	2009	% change	**2010**	2009	% change
Waste processing volumes ('000 m^3)	**152**	92	65	**486**	310	57
Recovered crude oil ('000 bbl)(1)	**61**	42	45	**223**	190	17
Average crude oil price received (CDN$/bbl)	**76.27**	71.69	6	**73.48**	59.61	23
Recovered crude oil sales ($ millions)	**4.6**	3.0	53	**16.4**	11.3	45
Edmonton par price (CDN$/bbl)(2)	**80.21**	75.92	6	**77.34**	65.70	18

(1) Represents the total crude oil recovered and sold for our account.

(2) Edmonton par is an industry benchmark for conventional crude oil





Eastern Facilities

Eastern Facilities is comprised of facilities in Ontario, Québec and Atlantic Canada and includes an engineered non hazardous solid waste landfill located in Stoney Creek, Ontario. Eastern revenue is primarily derived from:

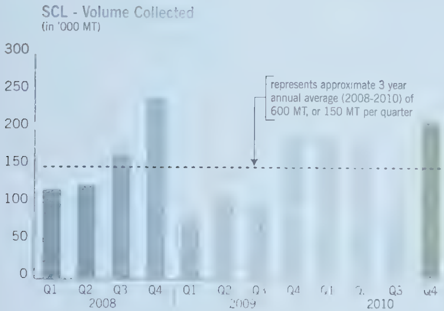
- the processing of industrial wastes, including collection, treatment, and disposal; and
- SCL, an engineered non-hazardous solid waste landfill with an annual permitted capacity of 750,000 MT of waste per year.

Eastern Facilities draws its revenue from the following industries in eastern Canada and the bordering U.S. states: automotive, construction, forestry, manufacturing, mining, oil and gas, petrochemical, pulp and paper, refining, steel, and transportation service. The broad customer and industry base helps to diversify risk; however, the state of the economy as a whole will affect these industries. In addition, Eastern Facilities is sensitive to changing environmental regulations regarding waste treatment and disposal. At present, there are no environmental regulatory reviews underway that are expected to have a material effect on Newalta and, regardless, we tend to have a positive bias to change in environmental regulations.

In Q4 2010, the general state of the economy in eastern Canada showed positive signs of recovery. Revenue grew by 6% in Q4 2010 compared to last year, due to improved event based activity at SCL. For the quarter, SCL volumes were 211,000 MT, up 11% over Q4 2009. Excluding the impact of SCL, the remainder of the business was flat year-over-year.

For the year, revenue improved by 15% due to higher event-based projects at SCL. SCL annual volume for 2010 was above the three year annual average of 600,000 MT. We anticipate that Q1 2011 landfill volumes will be in line with the historical average of 150,000 MT.

	Three months ended December 31,			Year ended December 31,		
	2010	2009	% change	**2010**	2009	% change
SCL Volume Collected ('000 MT)	**211.0**	190.3	11	**684.2**	477.2	43



Ville Ste-Catherine

VSC is our lead-acid battery recycling facility. This facility generates revenue from a combination of direct lead sales and tolling fees received for processing batteries. Fluctuations in the price of lead affect our direct sales revenue and waste battery procurement costs. Tolling fees are generally fixed, reducing our exposure to fluctuations in lead prices. The cost to acquire waste batteries is generally related to the trading price of lead at the time of purchase. As a result of the shipping, processing and refining of lead, there is a lag between the purchase and final sale of lead. Slow and modest changes in the value of lead result in a relatively stable differential between the price received for recycled lead and the cost to acquire lead acid waste batteries. However, sharp short-term swings in the LME price can distort this relationship resulting in a temporary disconnect in values.

Our objective is to ensure optimal performance at VSC, which historically has meant balancing direct sales and tolling volumes equally. In 2010, our split was 50/50. Production volumes will be managed to optimize performance under prevailing market conditions. In addition, fluctuation in the U.S./Canadian dollar exchange rate impacts revenue and procurement. Substantially all of VSC's revenue and the majority of our battery procurement costs are denominated in U.S. dollars, with the balance of our operating costs denominated in Canadian dollars.

VSC revenue in Q4 2010 increased by 10% compared to Q4 2009 due to higher direct sales volumes. Total lead volume sold increased by 3% to 20,300 MT. Lagged lead prices in Canadian dollars were flat compared to Q4 2009 as the impact of higher lead pricing in U.S. dollars was offset by the movement in the exchange rate. Performance at VSC continued to be affected by higher battery procurement cost compared to last year, however, the procurement market improved compared to Q3 2010.

Revenue for the year increased 20% as a result of both higher lead prices and increased sales volumes. Average lagged lead prices rose 33% to 2,141 $U.S./MT compared to 2009. Sales volumes for the year rose 8% to 67,900 MT creating a positive impact on performance.

We anticipate Q1 2011 production to be approximately 17,000 MT. We will continue to manage production volumes to capitalize on market conditions and maximize returns.

Results Of Operations – Onsite Division

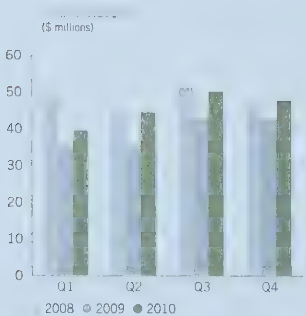
Overview

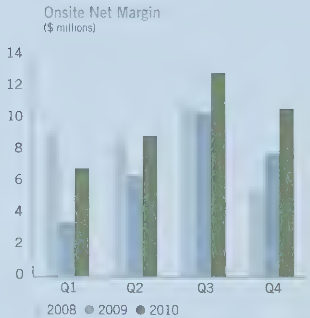
Onsite includes a network of 25 facilities with over 400 employees across Canada and the U.S. Onsite services involves the mobilization of equipment and our people to manage industrial by products at our customer sites. Onsite includes: the processing of oilfield-generated wastes and the sale of recovered crude oil for our account, industrial cleaning; site remediation; dredging and dewatering and drill site processing including solids control and drill cuttings management. Onsite includes the Western Onsite, Eastern Onsite and Heavy Oil business units.

Our Onsite business units generally follow a similar sales cycle. We establish our market position through the execution of short-term projects, or event-based projects which lead to longer term contracts. The cycle to establish longer term contracts can be between 18 months to three years. Longer term contracts are not sensitive to commodity prices and provide a more stable cash flow. In addition, Onsite performance is affected by the customer's requirement for Newalta to maintain a strong safety record. To address this requirement, our EH&S team works with our people and our customers to develop an EH&S culture and prevention strategy owned by operators to ensure we maintain our strong record.

The business units contributed the following to division revenue:

	Three months ended December 31,		Year ended December 31,	
	2010	2009	**2010**	2009
Western Onsite	**44%**	25%	**39%**	26%
Eastern Onsite	**23%**	40%	**26%**	37%
Heavy Oil	**33%**	35%	**35%**	37%



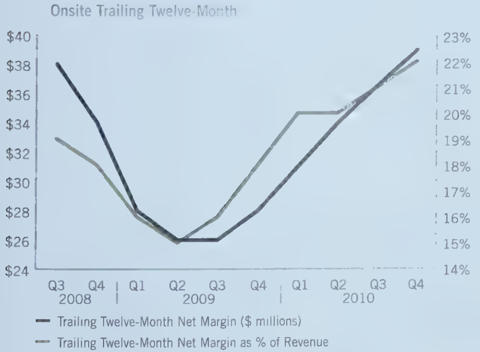


The following table compares Onsite's results for the periods indicated:

($000s)	Three months ended December 31, 2010	2009	% change	Year ended December 31, 2010	2009	% change
Revenue – external	**47,838**	42,671	12	**182,246**	157,120	16
Operating costs	**33,804**	31,263	8	**129,753**	117,706	10
Amortization and accretion	**3,374**	3,643	(7)	**13,038**	11,416	14
Net margin	**10,660**	7,765	37	**39,455**	27,998	41
Net margin as % of revenue	**22%**	18%	22	**22%**	18%	22
Maintenance capital	**866**	823	5	**4,833**	2,150	125
Growth capital	**11,817**	3,773	213	**27,903**	7,719	261
Assets employed(1)				**252,262**	240,793	5

(1) "Assets employed" is provided to assist management and investors in determining the effectiveness of the use of the assets at a divisional level. Assets employed is the sum of capital assets, intangible assets and goodwill allocated to each division.

Since Q2 2009, Onsite's trailing twelve month performance has steadily improved and we expect this trend to continue into 2011 as we leverage our 2010 investments. As utilization of our equipment improves, we continue to see incremental gains in profitability. We have demonstrated continued improvements in the profitability of our operations as we execute our strategy to grow these services across North America.



In Q4 2010, net margin as a percentage of revenue increased to 22% compared to 18% last year. Incremental revenue drove a 56% flow through to net margin due to higher utilization of equipment resulting from higher drilling activity. Rigs released were up 59% in Canada compared to Q4 2009.

Revenue and net margin for the year improved by 16% and 41%, respectively with incremental revenue contributing 45% to net margin. Increased activity primarily in oil and gas boosted contributions from Western Onsite and Heavy Oil. Activity accounted for approximately 91% of the improvement in net margin with the balance attributable to higher crude oil prices.

Western Onsite

Revenue is primarily generated from:

- the supply and operation of drill site processing equipment, including equipment for solids control and drill cuttings management throughout western Canada and the U.S.;
- onsite service in western Canada (excluding services provided by Heavy Oil) includes: industrial cleaning; site remediation; centrifugation and dredging and dewatering; and
- environmental services serving primarily oil and gas customers.

Western Onsite performance is primarily affected by fluctuations in drilling activity in western Canada and the U.S. We can also be impacted by the competitive environment. To address these risks, we have developed a strong customer partnership approach and service differentiation to secure Newalta brand loyalty. Other onsite services for this business unit are in the early stages of development. We are currently engaged primarily in short-term, or event-based projects, which will vary from quarter-to-quarter. Western Onsite is also affected by various other industries including pulp and paper, refining, mining and municipal dewatering.

Q4 2010 Western Onsite revenue improved by 94% compared to Q4 2009, consistent with increased drilling activity in both western Canada and the U.S. Our utilization rate for drill site equipment rose to 57% from 26% in Q4 2009. Improved utilization was driven by higher demand in both the U.S. and Canada with utilization rates for Q4 2010 of 64% and 48%, respectively. Increased activity in the Marcellus and Fayetteville shale gas plays strengthened U.S. demand while increasing activity in the Cardium oil play drove recovery in Canadian demand.

For the year, revenue improved by 77% compared to 2009 due to the same factors impacting Q4 2010 results. Balancing our fleet equally between the U.S. and Canadian markets enabled us to capitalize on increased demand in both regions. In addition, increased demand for onsite project work due to higher industrial activity in western Canada contributed to improved results.

We anticipate continued growth year-over-year in this business unit consistent with increased drilling activity in both Canada and the U.S. and additional onsite project work.

Eastern Onsite

Eastern Onsite revenue is derived from:

- onsite service in eastern Canada, including: industrial cleaning; centrifugation and dredging and dewatering
- a fleet of specialized vehicles and equipment for emergency response and onsite processing

Eastern Onsite services a broad range of industries in eastern Canada; however, these industries are sensitive to the state of the economy in these regions. Eastern Onsite is in the early stage of development as we have only been developing this business unit for one year. We are currently engaged primarily in short-term, or event-based projects, which will vary from quarter–to–quarter.

Compared to Q4 2009, Eastern Onsite revenue decreased by 37%, due to lower than anticipated project activity in all regions.

Revenue for the year decreased by 20% compared to 2009. Dramatically reduced project activity in Atlantic Canada was partially offset by gains in Ontario from the petrochemical industry.

Heavy Oil

Our heavy oil services business began 15 years ago with facilities at Hughenden and Elk Point, Alberta. This business has expanded from processing heavy oil in our facility network to operating equipment on customers' sites. Leveraging our facilities as staging areas, we deliver a broad range of specialized services at numerous customer sites under short and long term arrangements. Revenue from onsite services is generally based on processing volumes and is not directly susceptible to fluctuations in crude oil pricing.

Heavy Oil business unit revenue is generated from three main activities:

- specialized onsite services for heavy oil producers under short and long-term arrangements;
- processing and disposal of oilfield-generated wastes, including water disposal, and landfilling; and
- sale of recovered crude oil for our account

Heavy Oil revenue streams are essentially driven by two sources: waste received at facilities and contract revenue from specialized onsite services. Facility revenue has an established customer base; however, performance is affected by the amount of waste generated by producers and the sale of crude oil recovered to our account. These streams vary due to volatility in the price of heavy oil and drilling activity. To address this volatility, over the past four years we have worked with customers to develop specialized onsite services where revenue is based on processed volumes, eliminating our exposure to crude oil prices for these services. Growth in the business unit will come from our ability to attract and retain customers with new SAGD projects coming on stream.

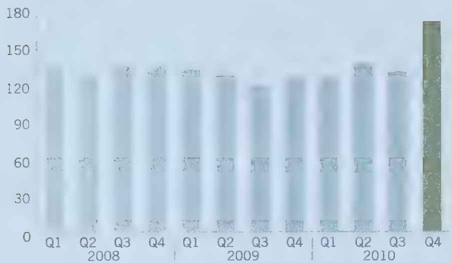
Q4 2010 Heavy Oil revenue increased by 8% compared to Q4 2009. This was due to higher waste receipts and crude oil recovered at our heavy oil facilities. SAGD onsite projects were stable and continued to perform as expected. In Q4 2010, we completed the first phase of a project to use our centrifuge processing capabilities on mature fine tailings, or MFT. This project is expected to resume in the spring of 2011.

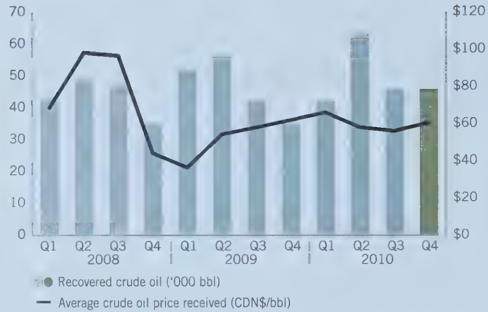
Q4 2010 waste processing and recovered crude oil volumes to our account increased by 36% and 31%, respectively, due to increased waste volumes from the area served by our Heavy Oil facilities as well as higher volumes from SAGD operations.

Revenue for 2010 compared to 2009 increased by 10% due primarily to growth in our onsite services and a 22% increase in crude oil sales.

	Three months ended December 31,			Year ended December 31,		
	2010	2009	% change	**2010**	2009	% change
Waste processing volumes ('000 m^3)	**170**	125	36	**562**	502	12
Recovered crude oil ('000 bbl)[1]	**46**	35	31	**196**	185	6
Average crude oil price received (CDN$/bbl)	**60.41**	61.91	(2)	**59.85**	52.14	15
Recovered crude oil sales ($ millions)	**2.8**	2.2	27	**11.7**	9.6	22
Bow River Hardisty (CDN$/bbl)[2]	**71.72**	70.57	2	**71.06**	61.23	16

(1) Represents the total crude oil recovered and sold for our account.
(2) Bow River Hardisty is an industry benchmark for heavy crude oil





	Three months ended December 31,			Year ended December 31,		
($000s)	**2010**	2009	% change	**2010**	2009	% change
Selling, general and administrative expenses ("SG&A")	**23,972**	16,603	44	**70,891**	56,132	26
Less stock-based compensation	**6,821**	808	744	**9,517**	2,236	326
SG&A before stock-based compensation	**17,151**	15,795	9	**61,374**	53,896	14
SG&A before stock-based compensation as a % of revenue	**10.5%**	11.5%	(9)	**10.7%**	11.1%	(4)

For Q4 2010 and full year 2010, SG&A before stock-based compensation improved to below 11% of revenue. This reflects our continued focus on managing costs in concert with increasing customer demand and growth initiatives. SG&A before stock-based compensation increased by 9% in Q4 2010 and 14% for the full year, compared to the prior period. The majority of the increase for Q4, and approximately 30% of the increase for the full year, related to performance-based compensation. The increase in stock-based compensation is driven by the increase in our share price to $11.89 at the end of 2010 from $8.02 last year. Increases in our share price will continue to drive stock-based compensation. Approximately 60% of stock-based compensation expense is estimated to be settled with equity, with the balance to be settled in cash. Stock based compensation grants outstanding at December 31, 2010 that settle in cash only had a weighted average remaining life of approximately three years with a weighted average exercise price of $9.96. For Q1 2011, we anticipate SG&A before stock-based compensation to be at or below $16 million.

	Three months ended December 31,			Year ended December 31,		
($000s)	**2010**	2009	% change	**2010**	2009	% change
Research and development	**586**	-	-	**1,713**	-	-
Research and development as a % of revenue	**0.4%**	0%	-	**0.3%**	0%	-

Research and development expenses for the year are related to the Technical Development group which was launched in 2010. By the end of 2010, a team of 15 people comprising engineers, chemists and business analysts was in place and charged with identifying new technologies and finding innovative ways of applying them to our business. In 2011, Technical Development has an operating budget of $3 million to develop and commercialize technologies into our operations. To date, a significant number of technologies have been identified and are now being prioritized for development.

	Three months ended December 31,			Year ended December 31,		
($000s)	**2010**	2009	% change	**2010**	2009	% change
Amortization and accretion	**14,891**	14,558	2	**55,990**	51,825	8
Amortization and accretion as a % of revenue	**9.1%**	10.6%	(14)	**9.7%**	10.7%	(9)

Amortization and accretion for the year includes a $1.4 million net loss on disposal of assets compared to a $1.6 million net loss in 2009. Compared to Q4 2009, amortization and accretion increased due to higher depreciation for assets amortized on a unit of production basis driven by higher utilization.

	Three months ended December 31,			Year ended December 31,		
($000s)	**2010**	2009	% change	**2010**	2009	% change
Bank fees and interest	**4,243**	4,353	(3)	**16,248**	16,059	1
Debentures interest and accretion of issue costs[1]	**2,365**	2,336	1	**9,415**	9,305	1
Finance charges	**6,608**	6,689	(1)	**25,663**	25,364	1

(1) Includes convertible debentures and senior unsecured debentures

Finance charges for the quarter and the year were relatively flat to the same periods in 2009 primarily due to lower average senior debt. The average interest rate on the credit facility for Q4 2010 improved to 5.2% from 5.7% in Q4 2009. For the year, the average interest rate on the credit facility increased to 5.2% from 4.5% in 2009. Finance charges associated with the Convertible Debentures include an annual coupon rate of 7%, the accretion of issue costs and discount on the debt portion of the Convertible Debentures. Finance charges associated with the Senior Unsecured Debentures include an annual coupon rate of 7.625% and the accretion of issue costs. The Senior Unsecured Debentures were issued November 23, 2010. See "Liquidity and Capital Resources" in this MD&A for discussion of our long-term borrowings.

	Three months ended December 31,			Year ended December 31,		
($000s)	**2010**	2009	% change	**2010**	2009	% change
Current tax	**520**	317	64	**938**	945	(1)
Future income tax	**1,945**	(958)	303	**8,621**	(1,312)	757
Provision for (recovery of) income taxes	**2,465**	(641)	485	**9,559**	(367)	2,705

The increase in future income tax expense for the quarter and year compared to 2009 is primarily due to higher taxable income. The effective tax rate for the year increased to 34.6% in 2010 compared to a 13.4% recovery in 2009. The increase in the effective tax rate resulted from higher non-deductible costs related to stock options in 2010. Additionally, in 2009, our effective tax rate was unusually low due to the recognition of reductions to Federal and Provincial tax rates in Canada and the increase in the value of certain tax assets on the wind up of Newalta Income Fund. Loss carry forwards are approximately $177 million at December 31, 2010. Other than provincial capital taxes and U.S. state and federal income taxes, we do not anticipate paying significant income tax for at least three years. See "Critical Accounting Estimates – Income Taxes" on page 42 of the MD&A for the year ended December 31, 2010 for further discussion.

tal Resources

The term liquidity refers to the speed with which a company's assets can be converted into cash, as well as cash on hand. Our liquidity risk may arise from general day to day cash requirements and in the management of our assets, liabilities and capital resources. Liquidity risk is managed against our financial leverage to meet obligations and commitments in a balanced manner. For further information on our risk management, refer to Note 20 to the consolidated financial statements for the year ended December 31, 2010.

Our debt capital structure is as follows:

($000s)		**December 31, 2010**	December 31, 2009
Use of Credit Facility:			
Amount drawn on Credit Facility(1)		**53,860**	195,199
Senior Unsecured Debentures		**125,000**	-
Letters of credit		**21,477**	22,137
Total Debt	A	**200,337**	217,336
Unused Credit Facility capacity(2)		**124,663**	132,664
Convertible Debentures	B	**115,000**	115,000
Total Secured and Unsecured Debt	=A+B	**315,337**	332,336

(1) See Note 9 to the consolidated financial statements for the quarter and year ended December 31, 2010. The net senior secured debt at December 31, 2010 was $52 million.
(2) Management elected to reduce our borrowing capacity to $200 million on December 17, 2010 from $350 million.

We continue to focus on managing our working capital accounts while supporting our growth. Working capital at December 31, 2010 decreased to $19.2 million from $31.0 million at December 31, 2009, due to increased activity levels and timing of receipts and payments. Cash from operations was similarly impacted. Days' sales outstanding in receivables has been maintained at levels consistent with prior year and accounts receivable over 90 days of $2.2 million has increased in line with increased activity.

At current activity levels, working capital is expected to be sufficient to meet our ongoing commitments and operational requirements of the business. We will continue to manage working capital prudently with increasing activity levels.

For further information on credit risk management, please refer to Note 20 to the consolidated financial statements.

Debt Ratings

DBRS Limited ("DBRS") and Moody's Investor Service, Inc. ("Moody's") provided a corporate and Series 1 Unsecured Debentures credit rating on November 10, 2010. The ratings are as follows:

Category	DBRS	Moody's
Corporate Rating	BB (low)	Ba3
Series 1 Unsecured Debentures	BB	B1

Both DBRS and Moody's obligations rating are speculative and non investment-grade credit quality.

Sources Of Cash

Our liquidity needs can be sourced in several ways including: Funds from operations, borrowings against our Credit Facility, new debt instruments, the issuance of securities from treasury, return of letters of credit or replacement of letters of credit with other types of financial security, proceeds from the sale of assets and payments of dividends to shareholders.

Credit Facility

The Credit Facility was amended effective December 17, 2010 to a three year maturity ending December 17, 2013, with annual extensions available at our option. As a result of Newalta's recent successful private placement of $125 million in Senior Unsecured Debentures and current cash forecast needs, management elected to reduce the amount available under the Credit Facility from $350 million to $200 million. At December 31, 2010, $124.7 million was available and undrawn under the Credit Facility to fund growth capital expenditures and for general corporate purposes, as well as to provide letters of credit to third parties for financial security up to a maximum amount of $60 million. The aggregate dollar amount of outstanding letters of credit is not categorized in the financial statements as long term debt, however, the issued letters of credit reduce the amount available under the Credit Facility and are included in the definition of Total Debt for covenant purposes. Under the Credit Facility agreement, surety bonds (including performance and bid bonds) to a maximum of $125 million are excluded from the definition of Total Debt. As at December 31, 2010, surety bonds issued and outstanding totalled $21.5 million.

Financial performance relative to the financial ratio covenants[1] under the Credit Facility is reflected in the table below:

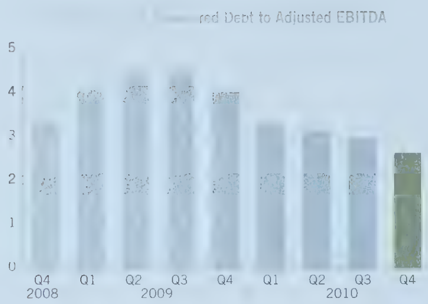
	December 31, 2010	Threshold
Senior Secured Debt[2] to EBITDA[3]	**0.63:1**	2.75:1 maximum
Total Debt[4] to EBITDA[3]	**1.68:1**	3.50:1 maximum
Interest Coverage	**4.97:1**	2.25:1 minimum

(1) We are restricted from declaring dividends if we are in breach of the covenants under our Credit Facility.

(2) Senior Secured Debt means the Total Debt less the Senior Unsecured Debentures.

(3) EBITDA is a non-GAAP measure, the closest measure of which is net earnings. For the purpose of calculating the covenant, EBITDA is defined as the trailing twelve-months consolidated net income for Newalta before the deduction of interest, taxes, depreciation and amortization, and non-cash items (such as stock-based compensation and gains or losses on asset dispositions). Additionally, EBITDA is normalized for any acquisitions or dispositions as if they had occurred at the beginning of the period.

(4) Total Debt comprises outstanding indebtedness under the Credit Facility and the Senior Unsecured Debentures, but excludes the existing $115 million Convertible Debentures.



Our Total Secured and Unsecured Debt was $315 million as at December 31, 2010 which reflected a $17 million improvement from 2009. Combined with higher Adjusted EBITDA, this reduced debt level resulted in a Total Secured and Unsecured Debt to Adjusted EBITDA ratio of 2.65. This improvement provides Newalta with greater financial flexibility and will reduce future financing costs. Our covenant ratios remained well within their thresholds. We will manage within our covenants throughout 2011.

Convertible Debentures

The Convertible Debentures have a maturity date of November 30, 2012 and bear interest at a rate of 7.0% payable semi-annually in arrears on May 31 and November 30 each year. Each $1,000 debenture is convertible into 43.4783 shares, at a conversion price of $23.00 per share, at any time at the option of the holders of the Convertible Debentures. The Convertible Debentures are not included in calculating financial covenants in the Credit Facility.

Upon maturity or redemption of the Convertible Debentures, we may pay the outstanding principal of the Convertible Debentures in cash or we may elect to satisfy our obligations to repay all or a portion of the principal amount of the Debentures, which have matured or been redeemed, by issuing and delivering that number of shares obtained by dividing the aggregate amount of principal of the Convertible Debentures which have matured or redeemed by 95% of the current market price. We may also elect, subject to regulatory approval, from time to time, to satisfy our obligation to pay all or any part of the interest on the Convertible Debentures, on the date interest is payable under the Convertible Debenture Indenture, by delivering a sufficient number of shares to the debenture trustee to satisfy all or any part, as the case may be, of the interest obligation.

The Convertible Debentures are redeemable by Newalta at a price of $1,000 per debenture after November 30, 2010 and on or before November 30, 2011 provided that the current market price of our shares on the date on which the notice of redemption is given is not less than $28.75 (being 125% of the Conversion Price). After November 30, 2011, debentures are redeemable at a price equal to $1,000 per debenture. In all cases, consideration will include accrued and unpaid interest, if applicable. Current market price is defined as the volume weighted average trading price of the shares on the Toronto Stock Exchange ("TSX") for the 20 consecutive trading days ending on the fifth trading day prior to the date of determination. The volume weighted average trading price is determined by dividing the aggregate sale price of all shares sold on the TSX during the 20 consecutive trading days by the total number of shares so sold.

There were no redemptions of the Convertible Debentures in 2010.

Senior Unsecured Debentures

On November 23, 2010, Newalta issued $125.0 million of 7.625% Series 1 Unsecured Debentures (the "Senior Unsecured Debentures"). The Senior Unsecured Debentures mature on November 23, 2017. The Senior Unsecured Debentures bear interest at 7.625% per annum and such interest is payable in equal instalments semi-annually in arrears on May 23 and November 23 in each year commencing on May 23, 2011. The Senior Unsecured Debentures are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and senior to any subordinated debt that may be issued by Newalta or any of its subsidiaries. The Senior Unsecured Debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

Prior to November 23, 2013, Newalta may on one or more occasions:

- Redeem up to 35% of the aggregate principal amount of Senior Unsecured Debentures, with the net cash proceeds of one or more public equity offerings at a redemption price equal to 107.625% of the principal amount, plus accrued and unpaid interest to the date of redemption.
- Redeem the Senior Unsecured Debentures, in whole or in part, at a redemption price which is equal to the greater of (a) the Canada Yield Price (as defined in the trust indenture) and (b) 101% of the aggregate principal amount of Senior Unsecured Debentures redeemed, plus, in each case, accrued and unpaid interest to the redemption date.

After November 23, 2013, the Senior Unsecured Debentures are redeemable at the option of Newalta, in whole or in part, at redemption prices expressed as percentages of the principal amount, plus in each case accrued interest to the redemption date, if redeemed during the twelve month period beginning on November 23 of the years as follows: Year 2013 – 103.813%; Year 2014 – 102.542%; Year 2015 – 101.906%; Year 2016 and thereafter – 100%.

During the three and twelve months ended December 31, 2010, financing fees of $3.0 million were incurred in connection with the issuance of the Senior Unsecured Debentures. These fees have been recorded as deferred financing costs and are being amortized using the effective interest method over the term of the Senior Unsecured Debentures.

The trust indenture under which the Senior Unsecured Debentures have been issued also requires Newalta to be in compliance with certain covenants on an annual basis. At December 31, 2010, Newalta was in compliance with all covenants.

Uses Of Cash

Our primary uses of funds include maintenance and growth capital expenditures as well as acquisitions, payment of dividends, operating and SG&A expenses and the repayment of debt.

Capital Expenditures

"Growth capital expenditures" or "growth and acquisition capital expenditures" are capital expenditures that are intended to improve our efficiency and productivity, allow us to access new markets and diversify our business. Growth capital, or growth and acquisition capital, are reported separately from maintenance capital because these types of expenditures are discretionary. "Maintenance capital expenditures" are capital expenditures to replace and maintain depreciable assets at current service levels. Maintenance capital expenditures are reported separately from growth activity because these types of expenditures are not discretionary and are required to maintain current operating levels.

Capital expenditures for the quarter and year ended December 31, 2010 were:

	Three months ended December 31,		Year ended December 31,	
($000s)	**2010**	2009	**2010**	2009
Growth capital expenditures	**21,146**	4,739	**47,077**	18,696
Maintenance capital expenditures	**8,491**	3,501	**28,668**	8,589
Total capital expenditures[1]	**29,637**	8,240	**75,745**	27,285

(1) The numbers in this table differ from the Consolidated Statements of Cash Flows because the numbers above do not reflect the net change in working capital related to capital asset accruals.

Total capital expenditures for the quarter were $29.6 million. Growth capital expenditures for the quarter and the year relate primarily to drill site equipment in Western Onsite, centrifugation equipment for project work in our Heavy Oil business unit and expansion in Western Facilities. Maintenance capital expenditures for the quarter and year related primarily to the construction of landfill cells, process equipment refurbishment at VSC and routine process equipment refurbishment at other facilities. Capital expenditures were funded by Funds from operations.

Total capital expenditures for the year were $75.7 million. Of the $47.1 million in growth capital expenditures, Onsite accounted for 60%, Facilities expenditures were 25% and the balance was attributable to corporate investments.

Capital expenditures in 2011 are budgeted at $100 million, comprised of growth capital expenditures of $73 million and maintenance capital of $27 million. We plan to spend $35 million in growth capital expenditures in the Onsite division, primarily related to expansion of the Heavy Oil business unit, as well as additional equipment for the Eastern and Western Onsite business units. We plan to spend $26 million in the Facilities division, primarily related to process improvements and additions, as well as the completion of a new oilfield facility. Capital expenditures for technical development are budgeted to be $5 million, with the remaining $7 million in growth capital expenditures for corporate investments. Maintenance capital expenditures will relate to the construction of additional landfill cells, process improvements and equipment replacement.

We may revise the budget, from time to time, in response to changes in market conditions that materially impact our financial performance and/or investment opportunities.

Dividends and Share Capital

In determining the dividend to be paid to our shareholders, the Board of Directors considers a number of factors including the forecasts for operating and financial results, maintenance and growth capital requirements as well as market activity and conditions. After a review of all factors, the Board declared $3.2 million in dividends or $0.065 per share, paid January 17, 2011 to shareholders of record as at December 31, 2010.

We expect to pay a dividend of $0.065 per share to shareholders of record on March 31, 2011. The Board will continue to review future dividends, taking into account all factors noted above.

As at March 3, 2011, Newalta had 48,495,002 shares outstanding, outstanding options to purchase up to 3,526,075 shares and a number of shares that may be issuable pursuant to the $115.0 million in Debentures (see Sources of Cash - Debentures on page 36 of the MD&A for the year ended December 31, 2010).

Contractual Obligations

Our contractual obligations, as at December 31, 2010, were:

($000s)	Total	Less than one year	1-3 years	4-5 years	Thereafter
Office leases	64,138	7,676	14,830	13,870	27,762
Operating leases[1]	15,229	9,025	5,774	430	-
Surface leases	3,387	1,135	1,447	580	225
Convertible Debentures	130,429	8,050	122,379	-	-
Senior long-term debt[2]	54,028	-	54,028	-	-
Senior Unsecured Debentures	190,726	9,531	19,063	19,062	143,070
Total commitments	**457,937**	**35,417**	**217,521**	**33,942**	**171,057**

(1) Operating leases relate to our vehicle fleet with terms ranging between 3 and 5 years

(2) Senior long-term debt is gross of transaction costs. Interest payments are not included.

Summary Of Quarterly

($000s except per share data)	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**162,927**	145,124	136,905	131,240	137,308	122,169	111,386	112,538
Earnings (loss) before taxes	**5,327**	9,364	4,918	8,013	3,451	5,936	(293)	(6,362)
Net earnings (loss)	**2,862**	6,324	3,155	5,722	4,092	3,567	(179)	(4,381)
Earnings (loss) per share ($)	**0.06**	0.13	0.07	0.12	0.09	0.08	-	(0.10)
Diluted earnings (loss) per share ($)	**0.06**	0.13	0.06	0.12	0.09	0.08	-	(0.10)
Weighted average shares – basic	**48,523**	48,487	48,487	48,480	46,770	42,438	42,450	42,402
Weighted average shares -- diluted	**48,934**	48,909	48,844	48,826	47,049	42,610	42,450	42,402
EBITDA	**26,826**	28,769	26,310	27,370	24,698	25,253	17,940	12,030
Adjusted EBITDA	**33,647**	29,706	26,573	28,866	25,506	26,606	18,253	11,792

Quarterly performance is affected by, among other things, weather conditions, timing of onsite projects, commodity prices, foreign exchange rates, market demand and the timing of our growth capital investments, as well as acquisitions and the contributions from those investments. Growth capital investments completed in the first half of the year will tend to strengthen the second half financial performance. Revenue from certain business units is impacted by seasonality. However, due to the diversity of our business, the impact is limited on a consolidated basis. For example, waste volumes received at our oilfield facilities decline in the second quarter due to road bans which restrict drilling activity. This decline is offset by increased activity in our Eastern Onsite business unit due to the aqueous nature of work performed, as well as potentially by fluctuations in commodity prices or event based waste receipts at SCL. As experienced over the last eight quarters, fluctuations in commodity prices can dramatically impact our results.

In 2009, revenue and net earnings grew as the year progressed, with lower revenue, earnings before taxes and net earnings in the first half of the year as compared to the second half, mainly due to weaker economic conditions. Lead and crude oil prices fell from historic highs achieved in 2008, continuing the negative impact on revenue and net earnings in the first half of 2009. The improvement in Q2 2009 was driven by a combination of stronger commodity prices and management's cost containment program. In Q3 2009, we observed improved commodity prices and typical seasonal activity increases; however, our waste volumes remained below historic levels. Revenue in Q4 2009 improved due to higher commodity prices, better waste receipts at SCL and increased lead production at VSC. Weighted average shares increased reflecting the equity offering of 6 million shares completed in Q4 2009.

Q1 2010 revenue, earnings before taxes and net earnings reflect continued improvements in commodity prices and productivity and cost efficiencies combined with strengthened demand across all business units. Q2 2010 revenue, earnings before taxes and net earnings reflect continued recovery in activity levels, consistent with expectations. Q3 2010 revenue, earnings before taxes and net earnings improved. Strong performance in Western Facilities, Heavy Oil and Western Onsite was partially offset by lower contributions from VSC, SCL and Eastern Onsite. Q4 2010 revenue and Adjusted EBITDA continued to improve driven by strong market activity in Western Facilities and increased demand for Western Onsite services. The Q4 2010 decrease in earnings before taxes and net earnings was due to higher stock-based stock compensation.

[illegible]

We do not have any off-balance sheet arrangements.

[illegible]

Our stock-based compensation expense is sensitive to changes in our share price. Using Canadian GAAP, a $1 change in our share price, up to $15 per share, has a $2.1 million direct impact on annual stock-based compensation reflected in SG&A, before the effects of vesting. We anticipate that approximately one third of stock-based compensation will be settled in cash in future periods.

Our revenue is sensitive to changes in commodity prices for crude oil, base oils and lead. These factors have both a direct and indirect impact on our business. The direct impact of these commodity prices is reflected in the revenue received from the sale of products such as crude oil, base oils and lead. The indirect impact is the effect that the variations of these factors, including natural gas, has on activity levels of our customers and, therefore, demand for our services. The indirect impacts of these fluctuations previously discussed are not quantifiable.

The following table provides management's estimates of fluctuations in key inputs and prices and the direct impact on revenue from product sales and SG&A:

	Change in benchmark ($)	Impact on Annual Revenue ($)
LME lead price ($U.S./MT)(1) (2)	220	8.2 million
Edmonton Par crude oil price ($/bbl)(1)	1.00	0.3 million
Gulf Coast Base oil ($/litre)(1)	0.05	0.9 million

(1) Based on 2010 performance and volumes.

(2) Excludes impact of LME on feedstock which offsets the impact of LME on revenue.

Selected Quarterly Information

($000s) — For the three months ended December 31, 2010

	Facilities	Onsite	Inter-segment	Unallocated[3]	Consolidated Total
External revenue	115,089	47,838	-	-	162,927
Inter-segment revenue[1]	104	-	(104)	-	-
Operating expense	77,843	33,804	(104)	-	111,543
Amortization and accretion expense	8,827	3,374	-	2,690	14,891
Net margin	28,523	10,660	-	(2,690)	36,493
Selling, general and administrative	-	-	-	23,972	23,972
Research and development	-	-	-	586	586
Finance charges	-	-	-	6,608	6,608
Earnings before taxes	28,523	10,660	-	(33,856)	5,327
Capital expenditures and acquisitions[2]	14,119	12,683	-	2,835	29,637
Goodwill	44,381	58,516	-	-	102,897
Total assets	647,426	300,951	-	80,347	1,028,724

($000s) — For the three months ended December 31, 2009

	Facilities	Onsite	Inter-segment	Unallocated[3]	Consolidated Total
External revenue	94,637	42,671	-	-	137,308
Inter-segment revenue[1]	295	-	(295)	-	-
Operating expense	65,039	31,263	(295)	-	96,007
Amortization and accretion expense	8,161	3,643	-	2,754	14,558
Net margin	21,732	7,765	-	(2,754)	26,743
Selling, general and administrative	-	-	-	16,603	16,603
Research and development	-	-	-	-	-
Finance charges	-	-	-	6,689	6,689
Earnings before taxes	21,732	7,765	-	(26,046)	3,451
Capital expenditures and acquisitions[2]	4,155	4,596	-	(511)	8,240
Goodwill	44,381	59,216	-	-	103,597
Total assets	648,960	271,588	-	73,182	993,730

(1) Inter segment revenue is recorded at market, less the costs of serving external customers.

(2) Includes capital asset additions and the purchase price of acquisitions

(3) Management does not allocate selling, general and administrative, taxes and interest costs in the segment analysis.

Critical Accounting Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates with regard to the reported amounts of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and other factors determined by management. Because this involves varying degrees of judgment and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

Amortization and Accretion

Amortization of capital assets and intangible assets incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change impacting the operation of plant and equipment. Accretion expense is the increase in the asset retirement obligation over time. The asset retirement obligation is based on estimates that may change as more experience is obtained or as general market conditions change impacting the future cost of abandoning our facilities. Amortization of capital assets and intangible assets incorporates estimates of useful lives and residual values. The estimates may change as more experience is obtained or as general market conditions change impacting the operating of plant and equipment.

Asset Retirement Obligations

Asset retirement obligations are estimated by management based on the anticipated costs to abandon and reclaim all our facilities and landfills as well as the projected timing of the costs to be incurred in future periods. Management, in consultation with Newalta's engineers, estimates these costs based on current regulations, costs, technology and industry standards. The fair value estimate is capitalized as part of the cost of the related asset and amortized to expense over the asset's useful life. The useful lives of the assets and the long-term commitments of certain sites range from 20 to 300 years. The total estimated future cost for asset retirement obligations at December 31, 2010 was $9.7 billion. The net present value of this amount, $21.7 million (using a discount rate of 8%), has been accrued on the consolidated balance sheet at December 31, 2010. The majority of the undiscounted future asset retirement obligations relates to SCL in Ontario, which are expected to be incurred over the next 300 years. Excluding SCL, the total undiscounted future costs are $36.2 million. There were no significant changes in the estimates used to prepare the asset retirement obligation in 2010 compared to 2009.

Goodwill

We perform a test for goodwill impairment annually and whenever events or circumstances make it possible that impairment may have occurred. Determining whether impairment has occurred requires a valuation of the respective segment, based on its future discounted cash flows. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data. We test the valuation of goodwill as at September 30 of each year to determine whether or not any impairment in the goodwill balance recorded exists. In addition, on a quarterly basis, we assess the reasonableness of assumptions used for the valuation to determine if further impairment testing is required.

Our determination as at September 30, 2010 and December 31, 2010 was that goodwill was not impaired.

Income Taxes

Current income tax expense predominantly represents capital taxes paid in eastern Canada, federal and provincial income taxes and U.S. taxation imposed on the U.S. subsidiary. Tax losses generated under the income fund structure are expected to provide shelter from any significant corporate current tax exposure for a minimum of three years.

Future income taxes are estimated based on temporary differences between the book value and tax value of assets and liabilities using the applicable future income tax rates under current law. The change in these temporary differences results in a future income tax expense or recovery. The applicable future income tax rate for each entity is calculated based on provincial allocation calculations and the expected timing of reversal of temporary differences. Changes in the assumptions used to derive the future income tax rate could have a material impact on the future income tax expense or recovery incurred in the period.

Permits and other intangibles

Permits and other intangibles represent the book value of expiring permits and rights, indefinite permits and non competition contracts. The intrinsic value of the permits relates to the breadth of the terms and conditions and the types of waste we are able to process. In today's regulatory environment, management believes an operator would be unable to obtain similar permits with the same scope of operations. Therefore, management estimates that the value of our permits could be greater than its book value.

Stock-Based Compensation

We have three share-based compensation plans, the 2003 Option Plan (the "2003 Plan"), the 2006 Option Plan (the "2006 Plan") and the 2008 Option Plan (the "2008 Plan"). Under the option plans, we may grant to directors, officers, employees and consultants of Newalta or any of its affiliates, options to acquire up to 10% of the issued and outstanding shares. Newalta uses the fair value method to account for the options granted pursuant to the 2003 Plan and recognizes the share-based compensation expense over the vesting period of the options, with a corresponding increase to contributed surplus. When options are exercised, the proceeds together with the amount recorded in contributed surplus, are transferred to shareholders' capital. Forfeitures are accounted for as incurred. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of the options, the expected volatility of the underlying security and the expected dividends.

The 2006 Plan and the 2008 Plan are accounted for as stock appreciation rights since they allow for individuals to settle their rights in cash. Accordingly, we use the intrinsic value method to account for these rights. The intrinsic value reflects the net cash liability calculated as the difference between the market value of the shares and the exercise price of the right. This is re-measured at each reporting date and stock-based compensation expense is increased or decreased accordingly. Decreases or reversals of stock-based compensation expense are limited to previously recognized stock-based compensation expense.

Newalta may also grant stock appreciation rights ("SARs") to directors, officers, employees and consultants of Newalta Corporation or any of its affiliates. SARs entitle the holder thereof to receive cash from Newalta in an amount equal to the positive difference between the grant price and the trading price of our common shares on the exercise date. The grant price is calculated based on the five day volume weighted average trading price of our common shares on the TSX. SARs generally expire five years after they have been granted and the vesting period is determined by the Board of Directors of Newalta. Newalta uses the intrinsic value method to account for SARs. The intrinsic value reflects the net liability calculated as the difference between the market value of the shares and the exercise price of the SAR. This is re-measured at each reporting date and stock-based compensation expense is increased or decreased accordingly. Decreases or reversals of stock-based compensation expense are limited to previously recognized stock-based compensation expense.

Newalta has a deferred share unit ("DSU") Plan, which is described in Note 12 to the consolidated financial statements. DSUs are settled in cash and are recorded as liabilities. The measurement of the compensation expense and corresponding liability for these awards is based on the intrinsic value of the award, and is recorded as a charge to SG&A expense over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in

the market value of Newalta's shares are recorded as a charge to SG&A expense. Dividend equivalent grants, if any, are recorded as a charge to SG&A expense in the period the dividend is paid.

Information regarding our changes in accounting policies is included in Note 3 to the consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises would be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to GAAP, but there are differences in recognition, measurement and disclosures.

Management established a project team to plan for and achieve a smooth transition to IFRS. An external resource was also engaged in an advisory capacity. The Audit Committee of the Board of Directors regularly receives progress reports on the status of the IFRS implementation project.

The following table summarizes our key activities, related milestones and accomplishments to date.

Key Activity	Milestones	Status
Accounting Policies and Procedures:		
• Identification of differences between IFRS and the company's existing policies and procedures • Accounting policy choices under IFRS • Financial statement impact • Opening balances • Financial policies and procedures • Identification of areas that may have a significant impact	• Finalize accounting policy choices under IFRS • Finalize opening balances • Complete new financial policies and procedures manual addressing IFRS requirements	We have completed our internal review of differences between IFRS and current policies and procedures, and have made assessments of accounting policy choices. We are in the process of confirming and finalizing these assessments and their financial statement impacts with our consultants and auditors. The review of opening balances is in progress and is expected to be completed during the first quarter of 2011. Communication of financial impacts will follow review completion.
Financial Statement Preparation:		
• Prepare financial statements and note disclosures in compliance with IFRS • Quantify the effects of converting to IFRS • Prepare first-time adoption reconciliations required under IFRS 1	• Senior management approval and Audit Committee review of pro forma financial statements and disclosures	A preliminary pro forma financial statement and note disclosure structure was presented to senior management and the Audit Committee in early 2009. Updated pro forma financial statement and note disclosure structures continue to be presented to senior management and the Audit Committee on a regular basis and will be finalized during the first quarter of 2011.

Key Activity	Milestones	Status
IT Infrastructure:		
Identify key changes in the following areas: • IT system changes and upgrades • Systemic process changes for data collection for G/L, disclosures, and consolidation • One-time processes due to IFRS 1	• Ensure readiness for parallel processing of 2010 financial results and IFRS-compliant reporting in 2011 • Identify and recommend systemic process changes • Testing phase • ERP parallel run	Required system upgrades and changes have been made. Parallel ERP system is operational.
Control Environment:		
Internal control over financial reporting • Accounting policy changes and approval • Changes to certification process	• Complete final signoff and review of accounting policy changes by Q4 2010 • Update certification process by Q4 2010	Internal assessment, control implementation and independent assessment will be ongoing throughout 2011 to ensure appropriate controls are effective. No material changes were made to the certification process during 2010, nor are they expected for 2011.
Disclosure controls and procedures • MD&A communications package • IFRS adjustments to GAAP statements (2010) • 2011 financial statement presentation	• Publish material changes in policies and known impacts of IFRS in the MD&A throughout 2009 & 2010 • Publish impact of conversion (with reconciliation to GAAP) on key measures (Q1 2011) • Publish disclosure of 2010 comparative information (with reconciliation to GAAP) in the interim and annual financial statements (Q1 2011)	Our disclosure procedures ensure that key impacts due to IFRS are adequately disclosed. Disclosure requirements relating to IFRS will be independently reviewed and tested throughout 2011 to determine effectiveness. Material changes in policies are discussed in the MD&A. Financial impacts will be communicated as they are finalized and confirmed.
Training, Communication and Other: • Provide training to key stakeholders • Address impacts to operations due to IFRS • Investor relations • Financial covenants • Compensation packages	• Develop working groups and training to implement changes for significant impact items • Develop investor relations communication plan (Q3 2009) Review of: • Financial covenants (by Q3 2010) • Compensation packages (by Q3 2010)	Issue specific training sessions were delivered throughout 2010 and will continue during the first quarter of 2011. Key communication continues to be provided through the MD&A. Assessment of requirements for further communication is ongoing. We have structured our Credit Facility and the Senior Unsecured Debenture Indenture, in order to minimize the impact of IFRS on our financial covenants. We will continue to assess the impact on our compensation packages. Key stakeholder communications will continue throughout the first quarter of 2011.

Management is in the final stages of the transition to IFRS and is focused on working with our external auditors to achieve agreement on conclusions. A summary of the key areas where changes in accounting policies are expected to impact our consolidated financial statements are listed below. This summary should not be regarded as a complete list of the changes that will result from the transition to IFRS. Rather, it is intended to highlight those areas management currently believes to be the most significant.

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of January 1, 2010 ("transition date"). Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

First-Time Adoption of IFRS

The First-Time Adoption of International Financial Reporting Standard ("IFRS 1") provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, to the general requirement for full retrospective application of IFRS.

The most significant IFRS 1 exemptions applying to Newalta are summarized below.

Area of IFRS	Summary of Exemption Available
Business Combinations	An entity may elect, on transition to IFRS, not to retrospectively apply IFRS 3, "Business Combinations" to past business combinations. This election is allowed subject to specific requirements (an entity must maintain the classification of the acquirer and acquiree, recognize/derecognize certain assets or liabilities as required under IFRS and remeasure certain assets and liabilities at fair value). Newalta has elected on transition to IFRS to apply this exemption and not restate business combinations prior to the transition date.
Property, Plant and Equipment (Capital Assets)	An elective exemption exists whereby an entity may elect to revalue, as the new cost basis for property, plant and equipment, its fair value at the date of transition. The exemption can be applied on an asset-by-asset basis. Newalta has chosen not to take this election to revalue any of its assets at transition date, and will continue to measure its property, plant and equipment at historical cost.
Share-Based Payments	An entity may elect not to apply IFRS 2, "Share-based Payments" to equity instruments granted on or before November 7, 2002, or which vested prior to transition to IFRS, and may also elect not to apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS. Newalta has elected, on transition to IFRS, to take this exemption and not apply IFRS 2 to equity instruments and liabilities as described above.
Decommissioning Liabilities (Asset Retirement Obligations)	In accounting for changes in obligations to dismantle, remove and restore items of property, plant and equipment, IFRS guidance requires changes in such obligations to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. Rather than recalculating the effect of all such changes throughout the life of the obligation, an entity may elect to measure the liability and the related depreciation effects at the date of transition to IFRS. Newalta has elected to measure any decommissioning liabilities and the related depreciation effects at the date of transition to IFRS.

Expected Areas of Significance in Accounting Policies

The following table summarizes the key areas where accounting policies are expected to differ under IFRS and for which accounting policy decisions are necessary. This summary is limited to those areas (with the exception of transition policy choices made under IFRS 1 which are described above) that, based on management's assessment, may have an impact on Newalta's consolidated financial statements.

Accounting Policy Area	Summary of Differences and Decision Requirements
Property, Plant and Equipment (Capital Assets)	Under IFRS, an entity is required to prospectively choose between the cost model and the revaluation model to account for its capital and intangible assets. The cost model refers to the use of an asset's carrying value as its cost less any accumulated depreciation and impairment loss, and is generally consistent with GAAP. Under the revaluation model the asset is carried at its fair value as at the date of revaluation, less any accumulated depreciation and impairment loss. Value increases affect equity whereas decreases (in excess of previously recognized surpluses, if any) affect net income. Newalta has chosen to continue to value property, plant and equipment using the historical cost method. As such, the impact of this difference under IFRS will be minimal.
Borrowing Costs	IFRS requires the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use or sale. Borrowing costs are considered to be directly attributable to a qualifying asset when they would have been avoided if the expenditure on the qualifying asset had not been made. This change will be applied prospectively, and will result in ongoing reduced finance charges and increased capital asset values, which will be driven by the levels of activity within qualifying projects in any given period. As a result of higher capital asset values we would expect increased amortization expense in future periods.
Impairment	Under GAAP, goodwill is tested for impairment by comparing the fair value of the goodwill, on a reporting unit basis, with the carrying value of the goodwill. For remaining assets, GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. With IFRS, goodwill is not tested independent of other assets. Instead, a one-step approach is used for testing and measuring impairment of all assets at the cash-generating unit (CGU) level. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Any impairment is applied first to goodwill and then prorated to the other assets in the CGU. Impairment of assets other than goodwill can be reversed in later periods if there is a change in the estimate that resulted in the original impairment. Newalta is in the process of finalizing its assessment of the transition impact of this accounting policy change and confirming results with our external auditors, but does not expect the impact at transition to be significant. Prospective impacts will be dependent on future circumstances. Differences in measurement and recognition of impairment losses and reversals could lead to increased income statement volatility under IFRS.

Accounting Policy Area	Summary of Differences and Decision Requirements
Provisions including Decommissioning Liabilities (Asset Retirement Obligations) and Constructive Obligations	IFRS requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" in this context means more likely than not. Under GAAP, the criterion for recognition in the financial statement is "likely", which is a higher threshold than "probable". Therefore it is possible that there may be some contingent liabilities which would meet the criteria for recognition under IFRS that would not have been recognized under GAAP. Other differences between IFRS and GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas GAAP uses the low end of the range), and the requirement under IFRS for provisions to be discounted where material. In measuring the Decommissioning Liability, the IFRS requirement is based on management's best estimate of cash flows discounted to present value using a discount rate which is based on the risks specific to the liability (unless those risks have been built into the cash flow estimates). GAAP uses fair value of the obligation and cash flows discounted using a credit adjusted risk-free rate to discount cash flow estimates. Under IFRS, Newalta's cash flow assumptions incorporate liability-specific risks and so a risk-free discount rate is used to determine the Decommissioning Liability. Use of this lower discount rate (risk free under IFRS versus credit adjusted under Canadian GAAP) will drive an increase to the Decommissioning Liability and a lesser increase to Capital Assets, with an offsetting decrease to Retained Earnings. Prospectively, we will see an increase to finance charges and amortization. The assessment of the transition and ongoing impact of this accounting policy change is in the process of being finalized and confirmed with our external auditors.
Share-Based Payments	Under GAAP, cash settled transactions and transactions containing settlement alternatives are measured and re-measured at each reporting date using the intrinsic value method. IFRS requires initial and subsequent measurement of fair value by applying an option pricing model. The difference will impact the accounting measurement of awards of share appreciation rights and options granted under Newalta's option plans adopted in 2006 and 2008. Newalta is in the process of finalizing its assessment of the transition impact of this accounting policy change. Due to the change in valuation methodology, management expects that there will be an increase to Other long-term liabilities with a corresponding decrease to Retained earnings on transition, but does not expect the impact to be significant. Future differences between the fair value and intrinsic value of outstanding SARs and options plans will result in different share-based liability and expense measurements under IFRS and GAAP.
Income Taxes	IFRS requires that deferred tax assets and liabilities must be classified as non-current in the statement of financial position. Under GAAP, future income taxes are classified as current and non-current based on the classification of the underlying assets or liabilities to which they relate, or, if there is no underlying recognized asset or liability, based on the expected reversal of the temporary difference. GAAP, like IFRS, current tax represents the amount of income taxes payable (recoverable) based on taxable profit (tax loss) for the period and is measured based on tax rates and laws that are enacted or substantively enacted at the reporting date. However, the interpretation of "substantively enacted" under GAAP may differ from IFRS. Newalta is in the process of finalizing its assessment of the impact of this accounting policy change and confirming it with our auditors. The impact at transition and for future periods is not expected to be significant.

The above list and related summaries should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas we believe to be most significant based on our assessments at this time. However, several of our assessments of the impacts of certain differences remain in process and will be finalized during the first quarter of 2011. Moreover, until our first full set of financial statements under IFRS has been prepared, management will not be able to determine or precisely quantify all of the impacts that will result from converting to IFRS.

There are significant ongoing International Accounting Standards Board ("IASB") projects that could affect the ultimate differences between GAAP and IFRS and their impact on Newalta's consolidated financial statements in future years. In particular, there may be additional new or revised IFRS standards in relation to income taxes, liabilities, leases, related party disclosures, and financial instruments. We have processes in place to ensure that such potential changes are monitored and evaluated. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The differences described are those existing based on GAAP and IFRS as of February 24, 2011.

Business Risks

Our business is subject to certain risks and uncertainties. Prior to making any investment decision regarding Newalta, investors should carefully consider, among other things, the risks described herein (including the risks and uncertainties listed on the front page of this MD&A and throughout this MD&A) and the risk factors set forth in the most recently filed Annual Information Form of Newalta which are incorporated by reference herein.

The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") which can be accessed at www.sedar.com. Copies of the Annual Information Form may be obtained, on request without charge, from Newalta Corporation at 211 – 11th Avenue S.W., Calgary, Alberta T2R 0C6, or by facsimile at (403) 806-7032.

Financial And Other Instruments

The carrying values of accounts receivable and accounts payable approximate the fair value of these financial instruments due to their short-term maturities. Our credit risk from our customers is mitigated by our broad customer base and diverse product lines. Our top 20 customers generate approximately 40% of our total revenue, with 20% of these customers having a credit rating of A or higher and 70% of these customers having ratings of BBB or higher. In the normal course of operations, we are exposed to movements in U.S. dollar exchange rates relative to the Canadian dollar. The foreign exchange risk arises primarily from U.S. dollar denominated long-term debt and working capital. We have not entered into any financial derivatives to manage the risk for the foreign currency exposure as at December 31, 2010. In Q4 2010, our exposure to foreign exchange was mitigated by the rise in commodity prices, as well as our U.S. dollar denominated long term debt, which served as a natural hedge, reducing our balance sheet exposure.

The floating interest rate profile of our long term debt exposes us to interest rate risk. We do not use hedging instruments to mitigate this risk. The carrying value of the long term debt approximates fair value due to its floating interest rates. For further information regarding our financial and other instruments, please refer to Note 20 to the consolidated financial statements for the three and twelve months ended December 31, 2010.

In January 2010, we invested $4 million in shares and warrants in BioteQ Environmental Technologies Inc. The portion of the investment allocated to shares has been classified as available for sale and the portion of the investment allocated to warrants is a derivative accounted for much like held-for-trading investments. The investment is re-valued each quarter. The unrealized gain or loss on the shares is reflected on the Statements of Comprehensive Income and Accumulated Other Comprehensive Income, whereas the unrealized gain or loss for warrants is reflected on the Consolidated Statement of Operations under Finance charges.

[illegible] ontrols And Procedures And Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer (collectively the "Certifying Officers") have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2010, and have concluded that such disclosure controls and procedures were effective. In addition, the Certifying Officers have evaluated the design and effectiveness of our internal control over financial reporting as of December 31, 2010, and have concluded that such internal controls over financial reporting were effective. There have not been any changes in the internal control over financial reporting in Q4 of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

[illegible] rmation

Additional information relating to Newalta, including the Annual Information Form, is available through the internet on the Canadian SEDAR, which can be accessed at www.sedar.com. Copies of the Annual Information Form of Newalta may be obtained from Newalta Corporation on the internet at www.newalta.com, by mail at 211 – 11th Avenue S.W., Calgary, Alberta T2R 0C6, or by facsimile at (403) 806-7032.

Management Report

Management is responsible for the preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded, and to facilitate the preparation of relevant, reliable and timely financial and management information.

External auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of three non-management directors, has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the consolidated financial statements.

Michael A. Borys
Senior Vice President and Chief Financial Officer

March 3, 2011

To the Shareholders of Newalta Corporation

We have audited the accompanying consolidated financial statements of Newalta Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and retained earnings (deficit) and consolidated statements of comprehensive income and accumulated other comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Newalta Corporation as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Calgary, Alberta

March 3, 2011

Consolidated Balance Sheets

($000s)	December 31, 2010	December 31, 2009
Assets		
Current assets		
Accounts receivable	102,378	84,317
Inventories (Note 4)	26,645	33,148
Investment (Note 5)	4,274	-
Prepaid expenses and other	7,292	6,183
	140,589	123,648
Note receivable (Note 6)	890	978
Capital assets (Note 7)	722,840	701,884
Permits and other intangible assets (Note 8)	60,579	61,935
Goodwill	102,897	103,597
Future income taxes (Note 13)	929	1,688
	1,028,724	993,730
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	118,218	90,191
Dividends payable (Note 17)	3,152	2,423
	121,370	92,614
Senior secured debt (Note 9)	51,689	188,123
Convertible debentures – debt portion (Note 10)	112,073	110,708
Senior unsecured debentures (Note 11)	122,050	-
Other long-term liabilities (Note 12)	5,063	1,218
Future income taxes (Note 13)	47,183	39,164
Asset retirement obligations (Note 14)	21,700	21,903
	481,128	453,730
Shareholders' Equity (Notes 15 and 17)		
Shareholders' capital	552,969	552,871
Convertible debentures – equity portion	1,850	1,850
Contributed surplus	1,679	1,679
Retained earnings (deficit)	(9,489)	(16,400)
Accumulated other comprehensive income	587	-
	547,596	540,000
	1,028,724	993,730

Approved by the Board

Barry D. Stewart
Director

R.H. (Dick) Pinder
Director

Consolidated Statements of Operations and Retained Earnings (Deficit)

($000s except earnings per share data)	For the year ended December 31,	
	2010	2009
Revenue	**576,196**	483,401
Expenses		
Operating (Note 4)	**394,317**	347,348
Selling, general and administrative	**70,891**	56,132
Research and development	**1,713**	
Finance charges	**25,663**	25,364
Amortization and accretion (Notes 7 and 14)	**55,990**	51,825
	548,574	480,669
Earnings before taxes	**27,622**	2,732
Provision for (recovery of) income taxes (Note 13)		
Current	**938**	945
Future	**8,621**	(1,312)
	9,559	(367)
Net earnings	**18,063**	3,099
Retained earnings (deficit), beginning of year	**(16,400)**	(11,358)
Dividends (Note 17)	**(11,152)**	(8,141)
Retained earnings (deficit), end of year	**(9,489)**	(16,400)
Net earnings per share (Note 16)	**0.37**	0.07
Diluted earnings per share (Note 16)	**0.37**	0.07

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income

	For the Year ended December 31,	
($000s)	**2010**	2009
Net earnings	**18,063**	3,099
Other comprehensive income:		
Unrealized gain on investment in shares[1]	**587**	-
Other comprehensive income	**587**	-
Comprehensive income	**18,650**	3,099
Accumulated other comprehensive income, beginning of year	**-**	-
Other comprehensive income	**587**	-
Accumulated other comprehensive income, end of year	**587**	-

(1) Net of tax of $0.1 million for the year ended December 31, 2010

Consolidated Statements of Cash Flows

	For the year ended December 31,	
($000s)	**2010**	2009
Net inflow (outflow) of cash related to the following activities:		
Operating Activities		
Net earnings	**18,063**	3,099
Items not requiring cash:		
Amortization and accretion	**55,990**	51,825
Future income tax provision (recovery)	**8,621**	(1,312)
Stock-based compensation expense	**9,321**	2,236
Other (Note 21)	**3,154**	5,095
	95,149	60,943
Increase in non-cash working capital (Note 21)	**2,383**	23,599
Asset retirement expenditures incurred	**(2,184)**	(1,024)
	95,348	83,518
Investing Activities		
Additions to capital assets (Note 21)	**(67,529)**	(39,652)
Net proceeds on sale of capital assets (Note 7)	**2,694**	1,921
Purchase of investment (Note 5)	**(4,000)**	-
	(68,835)	(37,731)
Financing Activities		
Issuance of shares	**27**	44,227
Decrease in senior secured debt	**(138,214)**	(76,963)
Issuance of senior unsecured debentures	**122,010**	-
Decrease in note receivable	**88**	182
Dividends to shareholders (Note 17)	**(10,424)**	(13,233)
	(26,513)	(45,787)
Net cash flow	**-**	-
Cash – beginning of year	**-**	-
Cash – end of year	**-**	-
Supplementary information:		
Interest paid	**18,132**	22,311
Income taxes paid	**546**	588

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(all tabular data in $000s except per share and ratio data)

Note 1. Corporate Structure

Newalta Corporation (the "Corporation" or "Newalta") was incorporated on October 29, 2008, pursuant to the laws of the Province of Alberta. Newalta completed an internal reorganization resulting in a name change from Newalta Inc. to Newalta Corporation effective January 1, 2010. Newalta provides cost-effective solutions to industrial customers to improve their environmental performance with a focus on recycling and recovery of products from industrial residues. These services are provided both through our network of more than 80 facilities across Canada and at our customers' facilities where we mobilize our equipment and people to process material directly onsite. Our customers operate in a broad range of industries including the oil and gas, petrochemical, refining, lead, manufacturing and mining industries.

Note 2. Basis Of Presentation

The consolidated financial statements include the accounts of Newalta and its wholly-owned subsidiaries. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies.

a) Cash and cash equivalents

Cash is defined as cash and short-term deposits with maturities of three months or less, when purchased.

b) Inventory

Inventory is comprised of oil, lead and other recycled products, spare parts and supplies, and is recorded at the lower of cost and net realizable value. Cost of finished goods includes the laid down cost of materials plus the cost of direct labour applied to the product and the applicable share of overhead expense. Cost of other items of inventory comprises the laid down cost.

c) Capital and intangible assets

Capital and intangible assets are stated at cost, less accumulated amortization. Amortization rates are calculated to amortize the costs, net of salvage value, over the assets' estimated useful lives. Plant and equipment is principally depreciated at rates of 5-10% of the declining balance (buildings, site improvements, tanks and mobile equipment) or from 5-14 years straight line (vehicles, computer hardware and software and leasehold improvements), depending on the expected life of the asset. Some equipment is depreciated based on utilization rates. The utilization rate is determined by dividing the cost of the asset (net of estimated salvage value) by the estimated future hours of service.

Landfill assets represent the costs of landfill available space, including original acquisition cost, incurred landfill construction and development costs, including gas collection systems installed during the operating life of the site, and capitalized landfill closure and post-closure costs. The cost of landfill assets, together with projected landfill construction and development costs for permitted capacity, is amortized on a per-unit basis as landfill space is consumed. Management annually updates landfill capacity estimates, based on survey information provided by independent engineers, and projected landfill construction and development costs. The impact on annual amortization expense of changes in estimated capacity and construction costs is accounted for prospectively.

The carrying values of capital assets are reviewed at least annually to determine if the value of any asset is impaired. Any amount so determined is written off in the year of impairment. As at December 31, 2010, there was no impairment in the value of capital assets.

Intangible assets consist of certain production processes, trademarks, permits and agreements, which are amortized over the period of the contractual benefit of 8 to 20 years straight line. Certain permits are deemed to have indefinite lives and therefore are not amortized. There are nominal fees to renew these permits provided that Newalta remains in good standing with regulatory authorities.

The carrying values of both definite and indefinite life intangibles are reviewed at least annually whereby management reviews any changes in the regulatory environment that could cause impairment in the value ascribed to these permits. Any amount so determined is written off in the year of impairment. As at December 31, 2010, there was no impairment in the value of these permits.

d) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of acquired businesses. Newalta, at least annually, on September 30, assesses goodwill and its potential impairment, on a reporting unit basis by determining whether the balance of goodwill can be recovered through the estimated discounted operating cash flows of each reporting unit over their remaining lives. Management's determination as at September 30, 2010 and December 31, 2010 was that goodwill was not impaired.

e) Asset retirement obligations

Newalta provides for estimated future asset retirement costs for all its facilities based on the useful lives of the assets and the long-term commitments of certain sites [illegible] to 300 years. Over this period Newalta recognizes the liability for the future retirement obligations associated with capital assets. These obligations are initially measured at fair value which is the discounted future value of the liability. This fair value is capitalized as part of the cost of the related asset and amortized to expense over the asset's useful life. The balance of the liability accretes until the date of expected settlement of the retirement obligations. The accretion expense has been included in amortization and accretion expense. Asset retirement costs are estimated by management, in consultation with Newalta's engineers, on the basis of current regulations, costs, technology and industry standards. Actual asset retirement costs are charged against the provision as incurred.

f) Revenue recognition

Revenues are recognized in the period products are delivered or services provided and when collection is reasonably assured.

The major sources of revenue relate to the processing of waste materials and the sale of recycled products recovered from the waste. Revenue is recognized when waste material is received and a liability is assumed for the waste. Revenue on recycled products is recognized when products are delivered to customers or pipelines. For construction projects and well abandonment work, revenue is recognized on a percentage of completion basis. For on site projects, revenue is recognized on a per-day fee basis.

g) Research and development

Research and development costs are incurred in the design, testing and commercialization of Newalta products and services. Research costs, other than capital expenditures, are expensed as incurred. The costs incurred in developing new technologies are expensed as incurred unless they meet the criteria under Canadian GAAP for deferral and amortization. These [illegible] over the estimated useful life of the product commencing with commercial production. In the event that a product program for which costs have been deferred [illegible] the Company will assess the recoverability of the deferred costs and if considered unrecoverable, will expense the costs in the period the assessment is made. No development costs have been deferred to date.

h) Income taxes

Newalta and its wholly owned [illegible] income taxes. Future income tax assets and liabilities are measured based upon temporary differences between the carrying values of assets and liabilities and their tax bases. Future income tax expense is computed based on the change during the year in the future income tax assets and liabilities. Effects of changes in tax laws and tax rates are recognized when substantively enacted.

Income tax assets are also recognized for the [illegible] with no accounting basis, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are [illegible] laws and rates that are anticipated to apply in the period of estimated realization.

i) Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by adding the weighted average number of shares outstanding during the year to the additional shares that would have been outstanding if potentially dilutive shares had been issued, using the “treasury stock” method and the “if converted” method for the convertible debentures.

j) Incentive plans

Newalta has three share-based compensation plans, the 2003 Option Plan (the "2003 Plan"), the 2006 Option Plan (the "2006 Plan") and the 2008 Option Plan (the "2008 Plan"). Under the option plans, Newalta Corporation may grant to directors, officers, employees and consultants of Newalta Corporation or any of its affiliates, rights to acquire up to 10% of the issued and outstanding shares. Newalta Corporation uses the fair value method to account for the options granted pursuant to the 2003 Plan and recognizes the share-based compensation expense over the vesting period of the options, with a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to shareholders' capital. Forfeitures are accounted for as incurred.

The 2006 Plan and the 2008 Plan allow for individuals to settle their options in cash. Accordingly, Newalta Corporation uses the intrinsic value method to account for these options. The intrinsic value reflects the net liability, calculated as the difference between the market value of the shares and the exercise price of the option. This is re-measured at each reporting date and stock-based compensation expense is increased or decreased accordingly. Decreases or reversals of stock-based compensation expense are limited to previously recognized stock-based compensation expense.

Newalta may also grant stock appreciation rights ("SARs") to directors, officers, employees and consultants of Newalta Corporation or any of its affiliates. SARs entitle the holder thereof to receive cash from Newalta in an amount equal to the positive difference between the grant price and the trading price of our common shares on the exercise date. The grant price is calculated based on the five-day volume weighted average trading price of our common shares on the TSX. SARs generally expire five years after they have been granted and the vesting period is determined by the Board of Directors of Newalta. Newalta uses the intrinsic value method to account for SARs. The intrinsic value reflects the net liability calculated as the difference between the market value of the shares and the exercise price of the SAR. This is re-measured at each reporting date and stock-based compensation expense is increased or decreased accordingly. Decreases or reversals of stock-based compensation expense are limited to previously recognized stock-based compensation expense.

Newalta has a deferred share unit ("DSU") Plan, which is described in Note 12 d). DSUs are settled in cash and are recorded as liabilities. The measurement of the compensation expense and corresponding liability for these awards is based on the intrinsic value of the award, and is recorded as a charge to selling, general and administrative ("SG&A") expense over the vesting period of the award. At the end of each financial period, changes in Newalta's payment obligation due to changes in the market value of Newalta's shares are recorded as a charge to SG&A expense. Dividend equivalent grants, if any, are recorded as a charge to SG&A expense in the period the dividend is paid.

k) Financial instruments

Classification

All financial instruments are classified into one of five categories and are initially recognized at fair value and subsequently measured as noted in the table below.

Category	Subsequent Measurement
Held-for-trading	Fair value and changes in fair value are recognized in net earnings
Held-to-maturity	Amortized cost, using the effective interest method
Loans and receivables	Amortized cost, using the effective interest method
Available-for-sale financial assets	Fair value and changes in fair value are recorded in other comprehensive income until the instrument is derecognized or impaired
Other financial liabilities	Amortized cost, using the effective interest method

Accounts receivable and note receivable are classified as loans and receivables. The portion of the investment allocated to shares has been classified as available for sale and the portion of the investment allocated to warrants is a derivative accounted for much like held-for-trading investments. Senior long-term debt, senior unsecured debentures ("Senior Unsecured Debentures"), convertible debentures ("Convertible Debentures"), accounts payable and accrued liabilities and dividends payable are classified as other financial liabilities.

Convertible Debentures

Newalta presents outstanding Convertible Debentures in their debt and equity component parts on the consolidated balance sheets. The debt component represents the total discounted present value of the semi-annual interest obligations to be satisfied by cash and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. Typically, this results in an accounting value assigned to the debt component of the Convertible Debentures which is less than the principal amount due at maturity. The debt component presented on the consolidated balance sheets increases over the term of the relevant debenture to the full face value of the outstanding debentures at maturity. The difference is reflected as increased interest expense with the result that adjusted interest expense reflects the effective yield of the debt component of the Convertible Debentures. The equity component of the Convertible Debentures is presented under Shareholders' Equity on the consolidated balance sheets. The equity component represents the value ascribed to the conversion right granted to the holder, which remains a fixed amount over the term of the related debenture. Upon conversion of the Convertible Debentures into shares by the holders, a proportionate amount of both the debt and equity components are transferred to Shareholders' Capital. Accretion and interest expense for the Convertible Debentures are reflected as finance charges on the consolidated statements of operations, comprehensive income and retained earnings (deficit).

Transaction Costs

Transaction costs associated with other financial liabilities are netted against the related liability.

l) Measurement uncertainty

The preparation of Newalta's financial statements in a timely manner and in accordance with Canadian GAAP requires the use of estimates, assumptions and judgment regarding assets, liabilities, revenue and expenses. Such estimates relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as transactions are settled in the future. Amounts recorded for amortization, accretion, future asset retirement obligations, future income taxes, the equity component of convertible debentures, valuation of warrants and impairment calculations are based on estimates. By their nature, these estimates are subject to measurement uncertainty, and the impact of the difference between the actual and the estimated costs on the financial statements of future periods could be material.

Note 3. Accounting Changes

In February, 2009 the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to GAAP, but there are differences in recognition, measurement and disclosures.

Section 1582, Business Combinations. This new section will be applicable to business combinations for which the acquisition date is on or after interim and fiscal periods beginning January 1, 2011, with prospective application. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The adoption of this new section would not have a material impact on Newalta's financial statements.

Section 1601, Consolidated Financial Statements. This new section will be applicable to financial statements relating to interim and fiscal periods beginning on or after January 1, 2011, with prospective application. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The adoption of this new section would not have a material impact on Newalta's financial statements.

Section 1602, Non-Controlling Interests. This new section will be applicable to financial statements relating to interim and fiscal periods beginning on or after January 1, 2011, with prospective application. Early adoption is permitted. This section establishes standards for accounting for a non controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of this new section would not have a material impact on Newalta's financial statements.

Note 4. Inventories

Inventories consist of the following:

	2010	2009
Lead	**10,160**	15,259
Recycled and processed products	**4,414**	8,046
Recovered oil	**4,637**	3,667
Parts and supplies	**6,226**	5,906
Burner fuel	**1,208**	270
Total inventory	**26,645**	33,148

The cost of inventory expensed in operating expenses for the year ended December 31, 2010, was $77.1 million ($62.7 million for the same period in 2009). Inventories are pledged as general security under our Credit Facility.

Note 5. Investment

During the first quarter of 2010, Newalta acquired 3,643,464 units at a price of $1.10 per share from the treasury of BioteQ Environmental Technologies Inc ("BioteQ") for consideration of $4 million. Each unit purchased includes a common share and a warrant to acquire an additional common share of BioteQ at $1.375 during the first year, and $1.65 thereafter. The warrants expire after 5 years. The fair value of the warrants is estimated using a binomial methodology and the common shares based on publicly available quoted prices.

The common shares are classified as available for sale. This investment is marked to market at each period end with changes in fair value recorded in other comprehensive income. As at December 31, 2010, a cumulative unrealized gain of $0.6 million (net of tax of $0.1 million) was recorded in accumulated comprehensive income.

The warrants are classified as held for trading and are revalued at each period end with change in fair value recognized in earnings. For the year ended December 31 2010, the Company recorded an unrealized loss of [illegible] million in earnings. As at December 31, 2010, the fair value was calculated using the following assumptions: an expected volatility of 81%, a risk-free interest rate of 2.2% and no expected dividend. This loss has been included within finance charges.

Note 6. Note Receivable

Included in an acquisition in 2005 were certain capital costs relating to landfill construction that are recoverable from a third party based on usage of the landfill. This unsecured and non-interest bearing amount is shown as a note receivable.

Note 7. Capital Assets

a) Capital assets consist of the following:

	2010			2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**14,696**	**-**	**14,696**	14,813	-	14,813
Plant and equipment	**891,627**	**(254,338)**	**637,289**	835,621	(213,991)	621,630
Landfill	**117,202**	**(46,347)**	**70,855**	103,264	(37,823)	65,441
Total	**1,023,525**	**(300,685)**	**722,840**	953,698	(251,814)	701,884

b) Disposal of capital assets

During the year ended December 31, 2010, Newalta disposed of certain land, transport vehicles, building assets and associated goodwill with a net book value of $4.1 million for proceeds of $2.7 million. The resulting net loss of $1.4 million, including the disposal of goodwill having a carrying value of $0.7 million, is included in amortization and accretion in the Consolidated Statements of Operations and Retained Earnings (Deficit).

During the year ended December 31, 2009, Newalta disposed of certain transport vehicles, equipment, land and buildings with a net book value of $3.5 million for proceeds of $1.9 million. The resulting net loss of $1.6 million is included in amortization and accretion in the Consolidated Statements of Operations, comprehensive income and retained earnings (deficit).

Note 8. Permits And Other Intangible Assets

	2010			2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Indefinite permits	**53,037**	**-**	**53,037**	53,012	-	53,012
Definite life permits/rights	**14,650**	**(7,108)**	**7,542**	14,650	(6,338)	8,312
Non-competition contracts	**6,020**	**(6,020)**	**-**	6,020	(5,409)	611
Total	**73,707**	**(13,128)**	**60,579**	73,682	(11,747)	61,935

Note 9. Senior Secured Debt

On December 17, 2010, Newalta entered into an amended and restated extendible revolving credit facility ("Credit Facility"). The maturity of this Credit Facility is December 17, 2013. At the election of Newalta, the principal borrowing amount was reduced from $350 million to $200 million. The Credit Facility is available to fund growth capital expenditures and for general corporate purposes as well as to provide letters of credit to third parties for financial security up to a maximum amount of $60.0 million. The aggregate dollar amount of outstanding letters of credit is not presented in the financial statements as long-term debt; however, the issued letters of credit reduce the amount available under the Credit Facility. Interest on the facilities is subject to certain conditions and may be charged at prime, U.S. base rate, Bankers' Acceptance ("BA") or LIBOR, at the option of the Corporation. The Credit Facility bears interest at a market rate plus an increment (depending on certain criteria) as follows:

Base Rate Type	Range of Increment
Prime Rate	1.00% to 2.50%
U.S. Base Rate	1.00% to 2.50%
BA Rate	2.25% to 3.75%
LIBOR	2.25% to 3.75%

The incremental BA interest rate as at December 31, 2010 was 2.5% (2009 - 4.5%).

The Credit Facility is secured by a fixed and floating charge debenture to the lenders on the assets of the Corporation and material subsidiaries, an unlimited subsidiary guarantee from each material subsidiary of the Corporation and an assignment of insurance naming the lenders as first loss payee in relation to business interruption, property and inventory insurance.

Newalta may, at its option, request an extension of the Credit Facility on an annual basis. If no request to extend the Credit Facility is made by Newalta, the entire amount of the outstanding indebtedness would be due in full on December 17, 2013. The facility also requires Newalta to be in compliance with certain covenants. At December 31, 2010, Newalta was in compliance with all covenants.

	December 31, 2010	December 31, 2009
Amount drawn on credit facility	**54,028**	191,280
Issue costs	**(2,339)**	(3,157)
Senior secured debt	**51,689**	188,123

Note 10. Convertible Debentures

In November 2007, Newalta issued $115.0 million of convertible unsecured subordinated debentures. The Convertible Debentures have a maturity date of November 30, 2012 and bear interest at a rate of 7.0% payable semi-annually in arrears on May 31 and November 30 each year beginning May 31, 2008. Each $1,000 debenture is convertible into 43.4783 shares (or a conversion price of $23.00 per share) at any time at the option of the holders of the Convertible Debentures. As subordinated debt, the issuance of the Convertible Debentures does not affect the borrowing capacity on the Credit Facility. On the consolidated balance sheets, the Convertible Debentures are presented net of the costs to issue. The equity portion of the Convertible Debentures will be reclassified into Shareholders' Capital as the debentures are converted into shares.

The Convertible Debentures are redeemable by Newalta after November 30, 2010 and on or before November 30, 2011 if the current market price of the shares on the notice date is greater than $28.75 and may be redeemed after November 30, 2011 for a redemption price of $1,000 per debenture with 30-60 days notice. The obligation may be settled in cash or shares at the discretion of Newalta.

The following table compares the face and fair values of the Convertible Debentures to the carrying value. The fair value of the Convertible Debentures was determined by reference to the trading price on December 31, 2010. The effective interest rate is 8.2%.

7% Convertible Debentures due 2012	**December 31, 2010**	December 31, 2009
Face value	**115,000**	115,000
Fair value	**118,738**	116,438
Carrying value		
Equity portion	**1,850**	1,850
Debt portion	**112,073**	110,708
Total carrying value	**113,923**	112,558

Note 11. Senior Unsecured Debentures

On November 23, 2010, Newalta issued $125.0 million of 7.625% Series 1 Unsecured Debentures (the "Senior Unsecured Debentures"). The Senior Unsecured Debentures mature on November 23, 2017. The Senior Unsecured Debentures bear interest at 7.625% per annum, and such interest is payable in equal installments semi-annually in arrears on May 23 and November 23 in each year, commencing on May 23, 2011. The Senior Unsecured Debentures are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and senior to any subordinated debt that may be issued by Newalta or any of its subsidiaries. The Senior Unsecured Debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

Prior to November 23, 2013, Newalta may on one or more occasions:

- Redeem up to 35% of the aggregate principal amount of Senior Unsecured Debentures, with the net cash proceeds of one or more public equity offerings at a redemption price equal to 107.625% of the principal amount, plus accrued and unpaid interest to the date of redemption.
- Redeem the Senior Unsecured Debentures, in whole or in part, at a redemption price which is equal to the greater of (a) the Canada Yield Price (as defined in the trust indenture) and (b) 101% of the aggregate principal amount of Senior Unsecured Debentures redeemed, plus, in each case, accrued and unpaid interest to the redemption date.

After November 23, 2013, the Senior Unsecured Debentures are redeemable at the option of Newalta, in whole or in part, at redemption prices expressed as percentages of the principal amount, plus in each case accrued interest to the redemption date, if redeemed during the twelve month period beginning on November 23 of the years as follows: Year 2013 – 103.813%; Year 2014 – 102.542%; Year 2015 – 101.906%; Year 2016 and thereafter – 100%.

If a change of control occurs, Newalta will be required to offer to purchase all or a portion of each debenture holder's Senior Unsecured Debentures, at a purchase price in cash equal to 101% of the principal amount of the Senior Unsecured Debentures offered for repurchase plus accrued interest to the date of purchase.

During the three and twelve months ended December 31, 2010, financing fees of $3.0 million were incurred in connection with the issuance of the Senior Unsecured Debentures. These fees have been recorded as deferred financing costs and are being amortized using the effective interest method over the term of the Senior Unsecured Debentures.

The trust indenture under which the Senior Unsecured Debentures have been issued also requires Newalta to be in compliance with certain covenants on an annual basis. At December 31, 2010, Newalta was in compliance with all covenants.

Note 12. Long-Term Incentive Plans

a) The 2008 Option Plan

On January 4, 2010 a total of 842,500 options were granted to certain directors, officers and employees of the Corporation. The options were granted at the market price of $8.07 per share. Each tranche of the options vest over a three year period (with a five year life), and the holder of the option can exercise the option for either a share of Newalta or an amount of cash equal to the difference between the exercise price and the market price at the time of exercise. The options granted under the 2008 Plan have therefore been accounted for as stock appreciation options and the total compensation expense for these options was $5.2 million for the year ended December 31, 2010 ($1.2 million in 2009). During 2010, an aggregate of 145,000 options to acquire common shares were forfeited under the 2008 Option Plan (nil in 2009).

b) The 2006 Option Plan

The options granted under the 2006 Plan have been accounted for as stock appreciation options and the total compensation expense for these options was nil for the year ended December 31, 2010 (nil for 2009). During 2010, an aggregate of 10,000 options to acquire common shares were forfeited (nil in 2009). During 2009, an aggregate of 1,565,000 options to acquire common shares were cancelled (nil in 2010).

c) The 2003 Option Plan

The options granted under the 2003 Plan have been accounted for as stock options and the total compensation expense for these options was nil for the year ended December 31, 2010 (nil for 2009). During 2010, an aggregate of [illegible] options to acquire common shares were cancelled (245,050 in 2009).

A summary of the status of Newalta's option plans as of December 31, 2010, 2009 and 2008, and changes during the years ending on those dates is presented as follows:

	2008 Options (000s)	Weighted Average Exercise Price ($/share)	2006 Options (000s)	Weighted Average Exercise Price ($/share)	2003 Options (000s)	Weighted Average Exercise Price ($/share)
At December 31, 2008	-	-	2,283	23.41	610	22.65
Granted	887	5.34	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Cancelled	-	-	(1,565)	26.38	(245)	25.12
At December 31, 2009	887	5.34	718	16.95	365	21.00
Granted	843	8.07	-	-	-	-
Exercised	(18)	5.31	-	-	-	-
Forfeited	(45)	7.15	(10)	14.00	(12)	10.52
Cancelled	-	-	-	-	-	-
At December 31, 2010	**1,667**	**6.67**	**708**	**16.99**	**353**	**21.37**
Exercisable at December 31, 2010	**222**	**5.34**	**378**	**17.31**	**353**	**21.37**

Range of Exercise Prices ($/share)	Options Outstanding December 31, 2010 (000s)	Weighted Average Remaining Life (years)	Weighted Average Exercise Price ($/share)	Options Exercisable December 31, 2010 (000s)	Weighted Average Exercise Price ($/share)
3.81 – 5.40	834	3.1	5.29	217	5.29
7.65 – 8.07	833	4.1	8.06	5	7.65
14.00 – 19.46	801	2.1	16.76	476	16.93
23.14 – 32.38	259	1.5	23.66	255	23.64
	2,727	2.9	11.25	953	16.02

d) Share Appreciation Rights (SARs)

On January 4, 2010, 490,000 share appreciation rights were granted to certain employees of the Corporation at the market price of $8.07. On March 11, 2010, 40,000 share appreciation rights were granted to an Officer of the Corporation at the market price of $8.70. On August 16, 2010, 80,000 share appreciation rights were granted to certain employees of the Corporation at the market price of $8.76. Each tranche of these rights vests over a three-year period (with a five year life).

On March 11, 2010, the expiry date of 155,000 rights previously granted to an Officer, was amended such that the expiry date of such rights be five years from the initial grant date.

The holder of a share appreciation right has the option to exercise the right for an amount of cash equal to the difference between the exercise price and the market price at the time of exercise. The rights granted have been accounted for as stock appreciation rights. Total compensation expense for these rights was $4.0 million for the year ended December 31, 2010 ($1.1 million in 2009). During 2010, an aggregate of 22,500 rights were forfeited (61,375 in 2009).

A summary of the status of Newalta's share appreciation rights plans as of December 31, 2010, 2009 and 2008, and changes during the years ending on those dates is presented as follows:

	SARs (000s)	Weighted Average Exercise Price ($/right)
At December 31, 2008	125	16.65
Granted	812	5.18
Exercised	-	
Forfeited	(61)	5.31
Cancelled	-	-
At December 31, 2009	876	6.99
Granted	610	8.20
Exercised	(36)	5.31
Forfeited	(23)	8.07
Cancelled	-	
At December 31, 2010	**1,427**	**7.53**
Exercisable at December 31, 2010	**307**	**9.96**

Range of Exercise Prices ($/share)	SARs Outstanding December 31, 2010 (000s)	Weighted Average Remaining Life (years)	Weighted Average Exercise Price ($/share)	SARs Exercisable December 31, 2010 (000s)	Weighted Average Exercise Price ($/share)
5.31 - 8.70	1,302	3.6	5.37	182	5.38
16.65	125	2.3	16.65	125	16.65
	1,427	3.1	7.53	307	9.96

e) Deferred Share Unit Plan

In May 2010, Newalta implemented a Deferred Share Unit Plan, pursuant to which deferred share units ("DSU") may be granted to non-employee members of the Board of Directors on an annual basis. The number of deferred share units granted to a participant is calculated by dividing (i) a specified dollar amount of the participant's annual retainer by (ii) the five-day volume weighted average trading price of the shares of Newalta traded through the facilities of the Toronto Stock Exchange on the trading days immediately preceding the date of grant. Dividends paid on the shares of Newalta are credited as additional DSUs. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the shares preceding the date of redemption. The DSUs vest immediately and may only be redeemed within the period beginning on the date a holder ceases to be a participant under the plan and ending on December 31 of the following calendar year.

During the second quarter of 2010, an aggregate of 15,463 DSUs were granted to the non employee members of the Board of Directors representing the 2010 grant. Total compensation expense for these DSUs was $0.1 million for the year ended December 31, 2010 (nil in 2009). As at December 31, 2010, the total number of DSU's held by participating directors was 15,668, including additional DSUs credited as a result of dividends paid since the date of their original grant (2009 - nil).

Other long-term liabilities

Other long-term liabilities consist of non-current obligations under the Corporation's long-term incentive plans.

Note 13. Income Tax

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's future income tax liabilities and assets are as follows:

Canadian Tax Jurisdiction:

	2010	2009
Future income tax liabilities:		
Capital assets	**95,003**	91,858
Intangible assets	**11,799**	11,946
Deferred financing costs	**2,024**	1,902
	108,826	105,706
Future income tax assets:		
Non-capital loss carry forwards	**44,056**	46,502
Goodwill	**5,448**	6,557
Asset retirement obligation	**5,542**	5,594
Equity issuance costs	**2,332**	3,023
Deferred revenue	**941**	2,362
Deferred expense	**3,282**	1,930
Other – donations, allowance for doubtful accounts	**42**	574
	61,643	66,542
Net future income tax liability	**47,183**	39,164

U.S. Tax Jurisdiction:

	2010	2009
Future income tax assets:		
Non-capital loss carry forwards	**929**	1,688
Net future income tax asset from U.S. operations	**929**	1,688

Non-capital loss carry forwards relating to Canadian operations total $175.9 million and relating to our U.S. operations total $2.6 million. These losses will begin expiring in 2026.

The income tax expense differs from the amount computed by applying Canadian statutory rates to operating income for the following reasons:

	2010	2009
Consolidated earnings of Newalta Corporation before taxes and distributions to shareholders	**27,622**	2,732
Current statutory income tax rate	**29.13%**	30.45%
Computed tax expense at statutory rate	**8,046**	832
Increase (decrease) in taxes resulting from:		
Capital taxes	**509**	945
Non-deductible costs	**1,796**	592
Other	**(791)**	(2,736)
Reported income tax expense (recovery)	**9,560**	(367)

set Retirement Obligations

The total future asset retirement obligations were estimated by management based on the anticipated costs to abandon and reclaim facilities and wells, and the projected timing of these expenditures. The net present value of this amount, $21.7 million ($21.9 million at December 31, 2009) has been accrued on the consolidated balance sheets at December 31, 2010. The total estimated future cost for asset retirement obligations at December 31, 2010 was $9.7 billion. The majority of the undiscounted future asset retirement obligations relate to the Stoney Creek landfill in Ontario, which are expected to be incurred over the next 300 years. Excluding the landfill, the total undiscounted future cost is $ 36.2 million. Newalta uses a discount rate of 8% and an inflation rate of 2% to calculate the present value of the asset retirement obligations.

	Year ended December 31,	
	2010	2009
Asset retirement obligations, beginning of year	**21,903**	21,094
Expenditures incurred to fulfill obligations	**(2,184)**	(1,024)
Accretion	**1,981**	1,833
Asset retirement obligations, end of year	**21,700**	21,903

Note 15. Shareholders' Capital

a) Shareholders' capital

Authorized capital of Newalta consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

On June 29, 2009, an aggregate of 60,483 common shares were canceled and returned to treasury. Under the terms of the March 1, 2003 Plan of Arrangement, Newalta Corporation (a predecessor entity) converted from a corporate structure to Newalta Income Fund (the "Fund"), a trust structure. The Plan of Arrangement provided that certificates formerly representing common shares of Newalta Corporation that were not deposited with the required documentation on or before March 1, 2009 ceased to represent a right or claim of any kind or nature and the right of the holder of such common shares to receive certificates representing trust units of the Fund or cash payments pursuant to the Plan of Arrangement, as the case may be, were deemed to be surrendered together with all dividends or distributions thereon held for such holder. These shares were valued at $11 99 each using the average carrying amount of shares outstanding prior to their return. As a result $0.7 million was transferred from Share Capital to Contributed Surplus.

On October 27, 2009, Newalta issued 6 0 million shares pursuant to a bought deal equity financing at a price of $7 65 per share. Proceeds, net of issuance costs, were $43.8 million.

The following table is a summary of the changes in Shareholders' capital during the period:

(000s)	Shares (#)	Amount ($)
Shares outstanding as at December 31, 2008	**42,400**	**509,369**
Shares issued (net of issues costs)	6,136	44,227
Shares cancelled and returned to treasury	(60)	(725)
Shares outstanding as at December 31, 2009	**48,476**	**552,871**
Shares issued (net of issuance costs)	16	98
Shares outstanding as at December 31, 2010	**48,492**	**552,969**

b) Retained earnings (deficit) and contributed surplus

The following table provides a breakdown of the components of retained earnings (deficit):

	2010	2009
Accumulated earnings	**381,243**	363,180
Accumulated cash dividends	**(390,732)**	(379,580)
Retained Earnings (Deficit)	**(9,489)**	(16,400)

The following tables provide a summary of the changes to contributed surplus during the period:

	Amount ($)
Contributed surplus as at December 31, 2008	988
Stock-based compensation adjustments	(79)
Return of prior period distributions	45
Cancellation of returned shares	725
Contributed surplus as at December 31, 2009 and 2010	1,679

c) Convertible debentures – equity portion

The equity portion of the Convertible Debentures was recorded on the initial recognition of the Convertible Debentures issued in November 2007. The equity portion will be reclassified to Shareholder's capital on a pro-rata basis as the Convertible Debentures are converted.

Note 16. Earnings Per Share

Basic earnings per share calculations for the year ended December 31, 2010 and 2009 were based on the weighted average number of shares outstanding for the periods. Diluted earnings per share include the potential dilution of the outstanding options to acquire shares and from the conversion of the convertible debentures.

The calculation of diluted earnings per share does not include anti-dilutive options. These options would not be exercised during the period because their exercise price is higher than the average market price for the period. The number of excluded options for 2010 was 1,060,200 (1,957,700 in 2009).

The diluted earnings per share calculation does not include the impact of anti-dilutive Convertible Debentures. These debentures would not be converted to shares during the period because the current period interest (net of tax) per share obtainable on conversion exceeds basic earnings per share. The number of shares issuable on conversion of these debentures excluded for 2010 was 5,000,000 (5,000,000 in 2009).

	Year ended December 31,	
(000s)	**2010**	2009
Weighted average number of shares	**48,485**	43,536
Net additional shares if options exercised	**302**	-
Net additional shares if debentures converted	-	-
Diluted weighted average number of shares	**48,787**	43,536

Note 17. Shareholder Dividends Declared

During the year ended December 31, 2010, Newalta declared quarterly dividends of $0.05 per share on each of March 15 and July 15, and quarterly dividends of $0.065 on each of September 15 and December 15.

Note 18. Capital Disclosures

Newalta's capital structure currently consists of:

	2010	2009
Amount drawn on credit facility(1)	**54,028**	191,280
Letters of credit issued as financial security to third parties	**21,477**	42,283
Convertible debentures, debt portion	**112,073**	110,708
Senior unsecured debentures(1)	**125,000**	-
Shareholders' equity	**547,596**	540,000
	860,174	884,271

(1) Gross of transaction costs.

The objectives in managing the capital structure are to:

- Utilize an appropriate amount of leverage to maximize return on Shareholders' equity; and
- To provide for borrowing capacity and financial flexibility to support Newalta's operations.

Management and the Board of Directors review and assess Newalta's capital structure and dividend/distribution policy at least at each regularly scheduled board meeting which are held at a minimum four times annually. The financial strategy may be adjusted based on the current outlook of the underlying business, the capital requirements to fund growth initiatives and the state of the debt and equity capital markets. In order to maintain or adjust the capital structure, Newalta may:

- Issue shares from treasury;
- Issue new debt securities;
- Cause the return of letters of credit with no additional financial security requirements;
- Replace outstanding letters of credit with bonds or other types of financial security;
- Amend, revise, renew or extend the terms of its then existing long-term debt facilities;
- Enter into new agreements establishing new credit facilities;
- Adjust the amount of dividends paid to shareholders; and/or
- Sell idle, redundant or non-core assets.

Management monitors the capital structure based on measures required pursuant to the Credit Facility agreement which restricts Newalta from declaring dividends and distributing cash if the Corporation is in breach of a covenant under the Credit Facility. These measures include:

Ratio	December 31, 2010	Threshold
Senior Secured Debt[1] to EBITDA[2]	**0.63:1**	2.75:1 maximum
Total Debt[3] to EBITDA[2]	**1.68:1**	3.50:1 maximum
Interest Coverage	**4.97:1**	2.25:1 minimum

(1) Senior Secured Debt means the Total Debt less the Senior Unsecured Debentures.

(2) EBITDA is a non-GAAP measure, the closest measure of which is net earnings. For the purpose of calculating the covenant, EBITDA is defined as the trailing twelve months consolidated net income for Newalta before the deduction of interest, taxes, depreciation and amortization, and non-cash items (such as stock based compensation and gains or losses on asset dispositions). Additionally, EBITDA is normalized for any acquisitions or dispositions as if they had occurred at the beginning of the period.

(3) Total Debt comprises outstanding indebtedness under the credit facility and the senior unsecured debentures, but excludes the existing $115 million convertible debentures.

The trust indenture under which the Senior Unsecured Debentures have been issued also contains certain restrictions and covenants that, subject to certain exceptions, limit our ability to incur additional indebtedness, pay dividends, make certain loans or investments and sell or otherwise dispose of certain assets subject to certain conditions, among other limitations.

Ratio	December 31, 2010	Threshold
Senior Secured Debt including letters of credit	**75,336**	$245,000 maximum
Cumulative capital lease obligations	**nil**	$25,000 maximum
Consolidated Fixed Charge Coverage	**4.97:1**	2.00:1 minimum
Period end surplus for restricted payments	**17,284**	Not to exceed surplus

Note 19. Commitments

a) Debt and Lease Commitments

Newalta has annual commitments for senior long-term debt, debentures, leased property and equipment and short-term amounts payable as follows:

	2011	2012	2013	2014	2015	Thereafter	Total
Amount drawn on credit facility[1] (Note 9)	-	-	54,028	-	-	-	54,028
Convertible debentures (Note 10)	8,050	122,379	-	-	-	-	130,429
Senior unsecured debentures (Note 11)	9,531	9,531	9,531	9,531	9,531	143,070	190,726
Total debt commitments	17,581	131,910	63,559	9,531	9,531	143,070	375,182
Office leases	7,676	7,453	7,377	6,988	6,882	27,762	64,138
Operating leases	9,025	4,560	1,214	382	48	-	15,229
Surface leases	1,135	1,157	290	290	290	225	3,387
Accounts payable and accrued liabilities	118,218	-	-	-	-	-	118,218
Dividends payable	3,152	-	-	-	-	-	3,152
Total debt and other commitments	156,787	145,080	72,440	17,191	16,751	171,057	579,306

(1) Gross of transaction costs. Interest payments are not reflected.

b) Letters of Credit and Surety Bonds

As at December 31, 2010, Newalta had issued letters of credit and surety bonds in respect of compliance with environmental licenses in the amount of $21 5 million and $30.5 million, respectively.

Note 20. Financial Instruments

a) Fair Value of Financial Assets and Liabilities

Newalta's financial instruments include accounts receivable, note receivable, accounts payable and accrued liabilities, dividends payable, senior long-term debt and senior unsecured debentures. The fair values of Newalta's financial instruments that are included in the consolidated balance sheets, with the exception of the debentures, approximate their recorded amount due to the short-term nature of those instruments for accounts receivable, accounts payable and accrued liabilities and for senior long-term debt and the note receivable, due to the floating nature of the interest rate applicable to these instruments. The fair values incorporate an assessment of credit risk. The carrying values of Newalta's financial instruments at December 31, 2010 are as follows:

	Held for Trading	Loans and Receivables	Available for Sale	Other Liabilities	Total Carrying Value
Accounts receivable	-	102,378	-	-	102,378
Note receivable	-	890	-	-	890
Accounts payable and accrued liabilities	-	-	-	118,218	118,218
Dividends payable	-	-	-	3,152	3,152
Amount drawn on credit facility[1]		-	-	54,028	54,028

(1) Gross of transaction costs.

The fair value of the Convertible Debentures is based on the closing trading price on the Toronto Stock Exchange as follows:

	December 31, 2010	
	Carrying Value[1]	Quoted Fair Value
7% Convertible debentures due November 30, 2012	**113,923**	**118,738**

(1) Includes both the debt and equity portions.

The fair value of the Unsecured Senior Debentures is based on broker quote as follows:

	December 31, 2010	
	Carrying Value	Quoted Fair Value
7.625% Senior unsecured debentures due November 23, 2017	125,000	127,500

Newalta categorizes its financial instruments carried at fair value into one of three different levels, depending on the significance of inputs employed in their measurement.

Level 1 includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments valued using Level 1 inputs include our Convertible Debentures and investment in BioteQ shares.

Level 2 includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument. Instruments valued using Level 2 inputs include our Unsecured Senior Debentures and investment in warrants of BioteQ.

Level 3 includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. At December 31, 2010 and December 31, 2009, Newalta did not have any Level 3 assets or liabilities.

b) Financial Instrument Risk Management

Credit risk and economic dependence

Newalta is subject to credit risk on its trade accounts receivable balances. The customer base is large and diverse, and no single customer balance exceeds 19% of total accounts receivable. Newalta views the credit risks on these amounts as normal for the industry. Credit risk is minimized by Newalta's broad customer base and diverse product lines, and is mitigated by the ongoing assessment of the credit worthiness of its customers as well as monitoring the amount and age of balances outstanding.

Revenue from Newalta's largest customer was $81.2 million for the year ended December 31, 2010 ($63.8 million in 2009), representing 14% of revenue (2009 – 13%). This revenue is recognized within our Facilities segment.

Based on the nature of its operations, established collection history and industry norms, receivables are not considered past due until 90 days after invoice date, although standard payment terms require payment within 30 to 120 days. Depending on the nature of the service and/or product, customers may be provided with extended payment terms while Newalta gathers certain processing or disposal data. Included in the Corporation's trade receivable balance, are receivables totaling $2.2 million, which are considered to be outstanding beyond normal repayment terms at December 31, 2010. A provision of $0.3 million has been established as an allowance for doubtful accounts. No additional provision has been made as there has not been a significant change in credit quality and the amounts are still considered collectible. Newalta does not hold any collateral over these balances.

Aging	Trade Receivables aged by Invoice Date		Allowance for Doubtful Accounts		Net Receivables	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Current	**60,867**	53,981	**22**	13	**60,845**	53,968
31-60 days	**11,730**	15,454	**1**	21	**11,729**	15,433
61-90 days	**3,001**	3,159	**20**	65	**2,981**	3,094
91 days +	**2,220**	791	**298**	725	**1,922**	66
Total	**77,818**	73,385	**341**	824	**77,477**	72,561

To determine the recoverability of a trade receivable, management analyzes accounts receivable, first identifying customer groups that represent minimal risk (large oil and gas and other low risk large companies, governments and municipalities). Impairment of the remaining accounts is determined by identifying specific accounts that are at risk, and then by applying a formula based on aging to the remaining amounts receivable. All amounts identified as impaired are provided for in an allowance for doubtful accounts. The changes in this account for 2010 are as follows:

Allowance for doubtful accounts	**2010**	2009
Balance, beginning of year	**824**	1,533
Additional amounts provided for	**108**	922
Amounts written off as uncollectible	**(591)**	(1,631)
Balance, end of year	**341**	824

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors of Newalta, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long term funding and liquidity management requirements. Management mitigates liquidity risk by maintaining adequate reserves, banking facilities and other borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. See Note 19 for maturity analysis.

Interest rate risk

Newalta is exposed to interest rate risk to the extent that its Credit Facility has a variable interest rate. Management does not enter into any derivative contracts to manage the exposure to variable interest rates. The Convertible Debentures and Senior Unsecured Debentures have fixed interest rates until their maturity dates, at which point, any remaining amounts owing under these debentures will need to be repaid or refinanced. The table below provides an interest rate sensitivity analysis for the twelve months ended December 31, 2010:

	Year ended December 31, 2010
If interest rates increased by 1% with all other variables held constant	(668)

Market risk

Market risk is the risk that the fair value or future cash flows of Newalta's financial instruments will fluctuate because of changes in market prices. Newalta is exposed to foreign exchange market risk. Foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency exchange rates. The risk arises primarily from U.S. dollar denominated long-term debt and working capital. As at December 31, 2010, Newalta had $25.3 million in working capital and $25.4 million in long-term debt denominated in U.S. dollars. Management has not entered into any financial derivatives to manage the risk for the foreign currency exposure as at December 31, 2010.

The table below provides a foreign currency sensitivity analysis on long-term debt and working capital outstanding as at December 31, 2010:

	Net Earnings
If the value of the U.S. dollar increased by $0.01 with all other variables held constant	1

21. Cash Flow Statement Information

The following tables provide supplemental information.

	2010	2009
Changes in current assets	**(16,941)**	33,563
Changes in current liabilities	**28,756**	(24,644)
Investment	**4,274**	-
Dividends payable	**(729)**	5,137
Stock-based compensation, foreign exchange and other	**(4,903)**	(3,168)
Changes in capital asset accruals *	**(8,074)**	12,711
Total increase in non-cash working capital	**2,383**	23,599

	2010	2009
Foreign exchange	**(429)**	2,354
Accretion of convertible debentures	**1,365**	1,289
Amortization of deferred financing charges	**1,821**	1,834
Unrealized loss on investment in warrants	**435**	-
Other	**(38)**	(382)
Total other items not requiring cash	**3,154**	5,095

	2010	2009
Cash additions to capital assets during the year	**(75,603)**	(26,941)
Changes in capital asset accruals	**8,074**	(12,711)
Total cash additions to capital assets	**(67,529)**	(39,652)

Note 22. Segmented Information

Effective January 1, 2010, Newalta reorganized its reporting structure into two divisions, Onsite and Facilities, which constitute our two reportable segments. The reportable segments are distinct strategic business units whose operating results are regularly reviewed by the Corporation's executive officers in order to assess financial performance and make resource allocation decisions. The reportable segments have separate operating management and operate in distinct competitive and regulatory environments. The Facilities segment includes the processing of industrial and oilfield-generated wastes including: collection treatment and disposal; clean oil terminalling; custom treating; the sale of recovered crude oil for our account; oil recycling; and lead battery recycling. The Onsite segment involves the mobilization of equipment and staff to process waste at our customer sites including: the processing of oilfield-generated wastes; the sale of recovered crude oil; industrial cleaning; site remediation; dredging and dewatering; and drill site processing, including solids control and drill cuttings management. Newalta had previously reported Western and Eastern reportable segments. As such, 2009 comparative information has been restated to present information under the applicable new segments.

For the year ended December 31, 2010

	Facilities	Onsite	Inter-segment	Unallocated(3)	Consolidated Total
External revenue	393,950	182,246	-	-	576,196
Inter-segment revenue(1)	589	-	(589)	-	-
Operating expense	265,153	129,753	(589)	-	394,317
Amortization and accretion expense	30,813	13,038	-	12,139	55,990
Net margin	98,573	39,455	-	(12,139)	125,889
Selling, general and administrative	-	-	-	70,891	70,891
Research and development	-	-	-	1,713	1,713
Finance charges	-	-	-	25,663	25,663
Earnings before taxes	98,573	39,455	-	(110,406)	27,622
Capital expenditures and acquisitions(2)	33,491	32,736	-	9,518	75,745
Goodwill	44,381	58,516	-	-	102,897
Total assets	647,426	300,951	-	80,347	1,028,724

For the year ended December 31, 2009

	Facilities	Onsite	Inter-segment	Unallocated(3)	Consolidated Total
External revenue	326,281	157,120	-	-	483,401
Inter-segment revenue(1)	1,203	-	(1,203)	-	-
Operating expense	230,845	117,706	(1,203)	-	347,348
Amortization and accretion expense	27,919	11,416	-	12,490	51,825
Net margin	68,720	27,998	-	(12,490)	84,228
Selling, general and administrative	-	-	-	56,132	56,132
Research and development	-	-	-	-	-
Finance charges	-	-	-	25,364	25,364
Earnings before taxes	68,720	27,998	-	(93,986)	2,732
Capital expenditures and acquisitions(2)	14,100	9,869	-	3,316	27,285
Goodwill	44,381	59,216	-	-	103,597
Total assets	648,960	271,588	-	73,182	993,730

(1) Inter-segment revenue is recorded at market, less the costs of serving external customers.

(2) Includes capital asset additions and the purchase price of acquisitions.

(3) Management does not allocate selling, general and administrative, taxes, and interest costs in the segment analysis.

Corporate Information

OFFICERS

Alan P. Cadotte
President and Chief Executive Officer

Peter A. Dugandzic
Executive Vice President

J. Craig Wilkie
Executive Vice President

Michael A. Borys
Senior Vice President and
Chief Financial Officer

Terry P. Donaleshen
Senior Vice President,
Organization Development

Doug Pecharsky
Senior Vice President, Onsite Operations

Took Whiteley[6]
Senior Vice President, Business
Development and General Counsel

Jim McClimans
Vice President, Finance

Harry Wells
Vice President, Technical Development

DIRECTORS

Alan P. Cadotte
Robert M. MacDonald[1, 4]
R. Vance Milligan, Q.C.[1, 3]
R.H. (Dick) Pinder[1, 3]
Gordon E. Pridham[2, 4]
Susan Riddell Rose[2, 4]
Tom Ryley[3, 4]
Barry D. Stewart[2, 5]

1. Audit Committee
2. Compensation Committee
3. Corporate Governance and Nominating Committee
4. Environment, Health and Safety Committee
5. Chairman of the Board
6. Corporate Secretary

INVESTOR RELATIONS

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STOCK EXCHANGE

Toronto Stock Exchange
Symbol: NAL / NAL.DB

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LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

BANKERS

Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto Dominion Bank
National Bank of Canada

TRANSFER AGENT AND REGISTRAR

Valiant Trust Company
Calgary, Alberta

NOTICE OF ANNUAL AND SPECIAL MEETING

Wednesday, May 11, 2011 at 2:00 pm (MT)
Newalta's corporate office
220 – 12th Avenue SW
Calgary, Alberta

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Newalta is committed to reducing impacts to the environment in every way we can, including the production of this publication. This report was printed on FSC Certified Mohawk Options PCW, which is manufactured entirely with wind energy and contains 100% post-consumer recycled fibre.

The savings opposite are achieved when PC recycled fiber is used in place of virgin fiber. Newalta uses 2640 lbs of paper which has a post-consumer recycled percentage of 100%.

Additional savings if paper is manufactured with windpower and carbon offsets.

25	Trees preserved for the future
73	lbs water-borne waste not created
10,766	gal wastewater flow saved
1,191	lbs solid waste not generated
2,345	lbs net greenhouse gases prevented
17,952,000	BTUs energy not consumed
1,191	lbs ghg emissions not generated
1.3	barrels fuel oil unused
1,178	mi, equivalent to not driving
81	trees, equivalent to planting

Designed by Bryan Mills Iradesso, editorial by Fundamental Creative

OUR GO BIG STRATEGY

We will expand our customer base and the profitability of our national Facilities' network by tailoring services to local markets, creating new services, improving productivity, managing costs and capitalizing on commodity price growth as well as from recovering drilling activity in the west and manufacturing activity in the east.

We will further leverage our capabilities to grow our Onsite "recovery at source" segment with an initial emphasis on heavy oil producers - where the need is growing and our solutions are proven - as well as petrochemical, refining and mining where Onsite is just emerging.

We will develop, adapt and commercialize technologies to increase the scope of wastes that we can process and products that we recover.

NEWALTA

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